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THE BOTTLENECK OF HONGKONG PRIMARY INDUSTRIES

Part II: Forestry and Mining

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1. FORESTRY

In spite of the very narrow natural limitations, forestry in Hongkong has to play an important role. In the catchment areas of the water supply system, a thick forest cover is essential to prevent erosion and silting of reservoirs, and to promote regularity of stream-flow by inducing maximum retention of water in the soil. During Japanese occupation most of the Colony's forests were destroyed and the Government had to begin a systematic afforestation policy. Afforestation plan was designed in 1953* and, beginning with approximately 3,000 acres of plantation area, about 1,000 acres are planted with trees every year. For this purpose, the production of 1 million plants a year has been organized at the Tai Lung Nursery near Fan Ling in the New Territories.

At the same time, efforts are being made to attract villagers to the Government scheme of assistance for the planting of village forestry lots, and to extend amenity planting throughout the New Territories. In this way, village forests may provide the rural population, in the future, with some source of additional income from the sale of timber, as well as with stakes for agricultural purposes and small timber for the construction of houses and animal pens, but not for fuel so that the chief rural fuel will remain grass.

So far, however, forestry in Hongkong cannot be regarded as an income-generating sector at all. In 1954/55 the total value of local trees sold did not exceed HK \$0.1 million. Consequently, the Colony's building, paper and plastic industries have had to rely exclusively on imported timber.

Typical of Hongkong, however, in 1954 a new large-scale forest project was started by a private enterprise, the Lantau Development Company.† This is the Colony's first commercial venture in forestry, which was launched as a private company and after two years changed to a public company with 100,000 shares of HK \$5 each. The Company develops approximately 5,000 acres of hilly area between the Kap Shui Mun gap (the Eastern tip of Lantau Island) to a line extending from Silvermine Bay to Pak Mong village. The virtue of this area was largely due to the lack of human cultivation, probably for centuries, because the absence of the Colony's usual hill fires each autumn allowed a thick layer of humus to accumulate around thick undergrowth on slopes. Many of these slopes are so steep that they can be climbed only with the greatest difficulty. The area was, for this reason, unsuitable for ordinary forms of cultivation, but it seemed ideal for soft wood plantations.

The main enterprise consists in the afforestation of an initial area of 5,000 acres with the Hoop Pine, a rough-barked soft wood tree. The first crop of firewood and scrap for pulping is expected in

This is the eleventh article in the series of Mr. Szczepanik's Studies in the Economic Structure of Hongkong. Cf. this Review of October 23, November 11th and December 16th 1954; July 17th, September 29th and December 29th 1955; July 5th, November 22nd, and December 26th 1956; and February 28th 1957. [Editor's note].

* Cf. A. F. Robertson: A Review of Forestry in Hongkong, 1953.

† Cf. W. J. Smyly: Lantau Development—Soft Wood in Hongkong: The Hongkong Exporter and Far Eastern Importer, 1956/57.

the fifth year after planting. Timber felling should take place in the tenth year. Planting goes on at the rate of about 1.5 million saplings a year (i.e. more than the output of the main Government nursery at Fan Ling) and it is planned to cover the whole area in ten years. Harvesting of up to a million trees a year should be more or less continuous from that time. The increasing use of soft wood pulp for paper, plastics, and the manufacture of building boards should make it a readily marketable commodity and possibly the basis for a string of other local industries.

The project, however, does not need to wait 10 years for its first financial return. The first major income of the Company was expected in 1957 from the sale of pond fish. Cattle-rearing is another enterprise of the Company which may bring profits before the forest itself is ready for regular harvesting, and plans are made for a 20,000 acres cattle-rearing project. Plans for the herd entail breeding up to 1,500 brood cows. As the local cow can be expected to calve twice in three years, this should yield approximately 1,000 calves a year. The Company has already made a considerable mileage of work-road to service nursery beds. Further roads are planned along all fire lanes in the Company's property, and an application has been made for the right to operate the first Lantau Bus Company. Future plans include also the possibility of a bridge or tunnel across the Ma Wan narrows to connect Lantau with the New Territories. The charitable side of the undertaking should also be stressed as it has given employment not only to many refugees but also to discharged patients from the leprosarium on the neighbouring Hay Ling island.

In making plans to develop Lantau, the Company revived the ideas of some of the early founders of the Colony who wanted to establish it on Lantau because there was more flat land available for rural development. The argument that won the battle for Hongkong was that contours and streams on that island were better suited for water conservancy. It is likely that the formation of the Lantau Development Company will mark a new phase in the territorial expansion of the Colony.

2. QUARRYING AND SAND MONOPOLY

A primary industry which contributed greatly to the postwar development of building and construction industry in Hongkong has been the exploitation of local quarries and sand deposits, both remaining under the control of the Government.

Quarrying, crushing and screening of Hongkong granite is done in the plants operated by the Road Office of the Public Works Department and scattered widely throughout the Colony. Their main output consists of building stones varying from a coarse light coloured granite to a dark fine-grained volcanic rock. All grades and types of stones are shaped and curved, the ornamental grey granite being most commonly worked for building stones. Between 1952 and 1955 the output of building stones has more than doubled as is indicated by the following figures:

Year:	1952	1953	1954	1955	1956
Output (in tons):	91,938	181,167	182,363	208,788	203,762

In addition to the crushed stone, another important item of the Government quarries is the production of road metal (premixed bituminous macadam). This output has been steadily increasing, reaching 56,000 tons in 1955. Some road metal and even dressed stone have been exported to Borneo. The value of the total output of Government quarries is estimated at about HK \$ 3 million per annum.

On most of the beaches around the Colony there are deposits of sand which vary in grade and purity. Some of the high grade deposits have a silica (quartz) content of 90 to 95%. Sand deposits are worked and used for building, foundries and glass making. Since 1935 the exploitation of these deposits has been under the control of the Government Sand Monopoly. The main object of this control is to preserve the sand beaches of the Colony.

Prior to the introduction of the Sand Monopoly it was the practice to issue permits for the removal of sand at a cost of two to ten dollars and for this sum the permittee could, within a stipulated period, remove as much sand from a beach as he wished. The revenue obtained in a year for sand permits averaged to only about HK\$2,000, beaches were spoiled and compensation had frequently to be paid for damage caused to paddy and vegetable crops by flooding by sea water. A scheme to regulate the sales and removal of sand from beaches was thus proposed by the Controller of Stores whose recommendations were accepted by the Government and thus was born the Sand Monopoly and placed under the Controller of Stores. After the liberation of the Colony, Sand Monopoly was reintroduced in May 1947 and apart from the conservation of beaches it has contributed greatly to the lowering of postwar building costs.

The collection of sand from beaches is made by junks and lorries, tenders having previously been invited for this service for a given period. The successful tenderer undertakes to collect sand from specified beaches and deliver to storage and distribution depots from which it is then sold by Government at a fixed rate per cubic yard. The selling rates are now HK\$9 per cubic yard ex depots and HK\$10 per cubic yard for direct delivery. The charges for industrial sand are HK \$24 per cubic yard ex depots and HK\$25 per cubic yard for approved direct delivery in the New Territories. In 1950/51 256,652 cubic yards of sand were removed and transported throughout the Colony, which provided about HK \$2.3 million as income to the Government. In 1955/56 the sales of sand increased to 569,833 cubic yards and Government's income—to HK\$4.9 million. The following figures illustrate the expansion of Sand Monopoly in 1950—1956:

Year:	1950	1951	1952	1953	1954	1955
Output (000 cubic Yds.)	-51	-52	-53	-54	-55	-56
Revenue (HK \$ Million)	2.3	2.7	2.9	3.4	4.1	4.9

On some occasions, sand was even exported from Hongkong. E.g. in 1951/52 400 cubic yards of sand were exported to British North Borneo. On the whole, however the local demand for sand has been so heavy that e.g. in 1953/54 supply had to be made from stocks. Recently, industrial sand was so much in demand that new sites had to be open which permitted the building up of a small stock of sand. On 31st March 1956 the reserve stock was 84,513 cubic yards which approximately corresponded to two months supply.

3. MINING†

Before World War II mining in Hongkong never possessed any substantial economic significance. Some minerals, such as lead, iron ore, wolfram, tin and even occasionally gold and silver were mined for a fairly long period but on a very limited scale. Local deposits of clay, granite and sand were also exploited but little attention was attached to this industry as a source of income and employment.

After the war, the most important factor contributing to a more intensive exploitation of the Colony's mineral wealth was the decline in trade relations with China. Supplies of tin, antimony and wolfram from South and West China, and magnetite from Hainan Island were cut off. Thus new efforts began in Hongkong to look for these minerals, especially wolfram and iron ore. Favourable demand conditions in world markets gave additional stimulus to develop the mining of these minerals in the Colony. This concerned particularly wolfram, locally known as tungsten, the mining of which is closely connected with the production of armaments.

Exploitation of the local deposits of **Wolfram** began in 1917, when the value of wolfram for hardening steel was discovered. The Japanese kept up a steady production of wolfram during the occupation which enabled its continuation after the war. As all production of wolfram was destined for export, mainly to the U.K. and France, its output varied according to the world market price. In 1952, when the price of wolfram was about HK \$16 per catty, the monthly output was estimated to be as high as 75 tons. Two years later, the price fell so low that the primitive mining of this ore was almost abandoned. In 1955 only 23 tons of tungsten were produced. The main deposits exploited by a European-owned concern are at Shing Mun, in Castle Peak area, and minor deposits are found at Ho Chung and Sha Lo Wan on Lantau island. Though these areas seem to be promising, it will be necessary to prospect them thoroughly before proceeding to mine with modern methods.

More permanent development has occurred in the mining of **iron ore**. Hydrated iron deposits (limonite) were dug up for the use as fillers in paint since the end of the 19th century. In 1906, a fairly large deposit of magnetite was opened at Ma On Shan (on the north-eastern ridge of Kowloon peninsula) with estimated reserve of 8.9 million tons. Exploitation of this mine before World War II was regulated by its chief customer, the Green Island Cement Company. After the War, the development of the Ma On Shan mine was stimulated by the Japanese demand for iron ore which raised the output from 908 tons in 1948 to 115,500 tons in 1955. In 1953, the managers of the mine came to an agreement with a Japanese firm to install an electro-magnet dressing plant at the cost of HK \$2.5 million, and to convert the mine from open-cast to underground working. This installation and conversion were completed in 1956 and the mine is expected to produce up to 300,000 tons per annum. Beside this mining of magnetite for export, which in 1955 amounted to HK \$3.5 million (mainly to Japan), and for local production, some surface scratchings for ochre, a hydrated oxide of iron, are undertaken. The ochre is used as raw material by several local paint factories.

Lead was the first metallic mineral to be mined in Hongkong since the middle of 19th century near Silver Mine Bay on Lantau Island and near Lin Ma Hang along the Sham Chun river, forming the northern boundary of the New

Territories. Lin Ma Hang proved to possess the largest deposit of lead and this mine was worked fairly regularly with the annual output exceeding 3,000 tons, from World War I until 1940 when the Japanese sealed off deliveries to China. The Japanese opened the mine again during the occupation but in 1945, when withdrawing, they removed most of the equipment. So far, no substantial investment in lead mines has been made and the output since 1954 has not exceeded 400 tons, destined mainly for export to the U.K. and Europe. However, prospecting for lead is now being carried out in the Lam Tsuen valley.

In addition to the above metallic minerals, deposits of galena, molybdenum, silver, gold and tin were also found in the Colony's rocks. 60,000—80,000 oz of **silver** were mined each year between 1936 and 1939 and 150 oz of **gold** were mined in 1936. About 30 tons of **tin** were mined in 1951 but since 1954 this mining had to be abandoned. The mining of other metals never achieved any economic significance in Hongkong.

Intensification of geological research in Hongkong in recent years resulted in the discovery of graphite in 1953 on West Brother Island, off Castle Peak, and of beryllium in 1955. The natural amorphous **graphite** shows a fixed carbon content of 80%—87% and it has already been exported to the U.K., U.S.A. and Japan. It is expected that about 2,000 tons of graphite may be exported each year which would amount to about 1% of the world output of this rare mineral, now in high demand in connection with atomic production. Two new areas with graphite deposits in the New Territories are being prospected.*

Beryl was discovered in two areas, one of which is being thoroughly prospected in order to ascertain whether the ore can be worked on a commercial basis. According to provisional estimates, there is a reserve of about 500 tons of this mineral in the Colony.**

Physically, the area of Hongkong consists of uplands and mountains which have been eroded and modelled according to the basic rock formations. Torrential rainfall, typhoons, high temperature and humidity have combined together to disintegrate and expose the underlying rocks. As a further result of weathering there is a thick mantle of decomposed rock material which generally covers and hides the solid geological structure. One fortunate result of the weathering process is the production of varied types of **clays** throughout the Colony. These clays are important, from the economic point of view, as the basis of the brick and ceramic industries. Clays occur everywhere in varying degrees of purity, ranging from the best ball clay to the coarser varieties. Of the many deposits now being worked, the pit at Cha Kwo Ling is the most valuable and productive. Much of the clay from this pit is exported to Japan but some is used locally in the ceramic industry. It is used for high-grade pottery and as a filler for paper, rubber and cloth. Elsewhere other deposits are mined for the various brick, face powder, tooth powder and rubber companies. In the New Territories there are many brick factories which are located on or near the clay deposits. Two largest ceramic factories at San Hui (Castle Peak) are producing not only bricks but also high grade pipe-ware and tiles.

Apart from clays, economic deposits of **felspar** (crystalline white or flesh-red mineral) occur in all parts of the Colony in association with the granite masses. They are mined for use in glaze and enamelware in local factories.

The following statistics illustrate the output and value of main minerals mined in Hongkong in recent years:

* Cf. B. Ruxton: Graphite in Hongkong, Far Eastern Economic Review, 27th January 1955.

** Cf. B. Ruxton: The Occurrence of Beryl in Hongkong, Far Eastern Economic Review, 12th May 1955.

† Cf. S. G. Davis: Geology of Hongkong: The Geology and Minerals of Hongkong (in Hongkong Exporter and Far Eastern Importer, 1954).

Year Output in tons	Iron Ore	Lead	Clay	Wolfram	Graphite	Beryl	Total value HK\$ m.
1953	123,200	645	5,933	140	200	—	—
1954	90,800	368	6,063	60	1,840	—	—
1955	115,500	385	5,432	23	1,535	1	—
Value in HK\$							
1953	1,217,600	291,359	356,025	2,494,827	30,000	—	4.4
1954	3,713,600	167,471	363,780	1,633,886	319,120	—	6.2
1955	4,620,000	326,995	325,920	154,650	121,076	2,000	5.8

Annual value of the output of minerals in Hongkong in 1955 can thus be estimated at HK\$ 6 million to which should be added the value of the output of quarries (about HK\$ 3 million) and the income of Sand Monopoly (about HK\$ 5 million), giving the total value of mining output as equal to approximately HK\$ 14 million.

Employment in quarrying and mining in 1955 in registered enterprises was as follows:

Iron Ore Mining	581
Wolfram Ore Mining	39
Stone quarrying, clay & Sand quarrying	117
Total	737

Together with unregistered enterprises, total employment in this primary industry did not exceed probably 2,000.

4. MINING POLICY

At present, mining policy in the Colony is formulated by the Mines Department which remains under the general control of the Commissioner of Labour, in his capacity as Commissioner of Mines, and is headed by a Superintendent, assisted by a small staff.

Until 1954 mining in Hongkong was regulated by the Mining Ordinance of 1906 which distinguished three types of mining permits:

- (i) The prospecting licences, valid for 6 months and renewable for a further period of 6 months.
- (ii) The mining licences which were issued to prospectors to exploit the area which had previously been prospected. The licences were valid for one year and were renewable.
- (iii) The mining leases which were issued to holders of a mining licence for not more than 75 years.

After World War II, the Mining Ordinance proved to be inefficient and had become a dead letter. There was a considerable amount of illegal mining, especially in 1950, when haphazard exploitation of wolfram deposits became widespread. To check illegal mining in 1951 the Government established the mines Sub-Department in the Labour Department which began to issue temporary licences. This, however, did not prove effective. The capital required for mechanization and planned mining was not likely to be forthcoming until mining lots could be offered on leasehold terms. In connection with this, in 1954, the Mining Bill, including the Mining (General) Regulations and the Mining (Safety) Regulations, was passed in the Legislative Council. Under these new regulations, the Government issues prospecting licences for 6 months (renewable for further 6 months up to 2 years), mining licences for 6 months (renewable to

5 years) and mining leases up to 21 years (renewable at the discretion of the Governor-in-Council). The costs involved were established as follows:

- (i) Fees: \$250 for prospecting or mining licence,
\$150 for mining lease,
\$100 for the renewal of licence,
\$500 for the renewal of lease.
- (ii) Rents: \$5 per 6 months per acre for mining licence,
\$5 per annum per acre for mining lease.
- (iii) Premiums: \$50 per acre for mining licence,
\$100 per acre for mining lease.
- (iv) Royalties: 5% of the value of all minerals won, based on the local price or f.o.b. price.

In order to ensure proper exploitation, the regulations stipulate that the expenditure by the holder of a prospecting licence for prospecting alone shall be at the rate of not less than \$10 per acre for each month during which the licence is in force; the holder of a mining licence or mining lease shall continuously employ in mining operations on the area to which the licence or lease relates five persons for every 10 acres. Labour-saving apparatus calculated at the rate of one horse-power to five persons may be accepted in substitution for the number of persons specified above. All applicants for mining permits must also show evidence of financial security.

The new regulations concern also the removal of minerals, for which Buyer's Licences are issued, valid for 12 months and costing 500 dollars. Authorized buyers must have a proper store-house for keeping the minerals. The accompanying Safety Regulations ensure the safety and welfare of miners at work.

The new system of mining licences seems to secure that there will be no misuse of land. Any Crown land can be mined, provided that the area involved is not too near private estates. Only experienced prospectors are likely to be able to get a prospecting licence and only large companies can obtain a mining lease since a great deal of capital investment is required to improve the efficiency of mining, to increase the output, to ensure the safety of workers, and to promote the welfare of the miners and their families.

It is hoped that this new legal framework, combined with the intensification of geological research, will contribute greatly towards increasing the economic importance of mining in Hongkong. No optimistic expectations, however, can be attached to this primary industry, in the same way as no great prospects can lie before Hongkong's agriculture. This has been clearly realized by Hongkong's entrepreneurs and their attention was chiefly directed towards the development of manufacturing industry, in spite of the extremely narrow raw material basis formed by the local primary industries.

CHINA'S BIRTH CONTROL CAMPAIGN

The movement for birth control in China, stealthily initiated by a non-Party personage (Shao Li-tzu) who was once a leading henchman and adviser to Chiang Kai-shek, at the first National People's Congress, has now assumed nationwide dimensions. Before Stalin died anybody who dared to suggest such a thing would have had chunks of Stalinist anti-Malthus propaganda thrown at him. But more and more the Chinese Communists are enlightening their theory with sobering practice, and the food difficulties, coupled with the ever-rising population, have caused concern. A few major headlines on or about the same day indicate the trend: "Exercise appropriate birth control" (editorial in the Peking People's Daily); Peking Population Exceeds Four Million; Health Minister on Birth Control; Ministry of Public Health Official Talks on Conditions of Contraception; Medical experts discuss Late Marriage and Contraception in Capital; Shantung Provincial People's Council Directive on Scientific Contraception; Maternity and Child Health Service Improved in Rural Areas; Scholars and Experts in Capital Discuss How to Develop Research on Population; Cigarette Factories in Shanghai Propagate Contraception; Lantern-slide "Before and After Contraception" Distributed in Shanghai; Sian Propagates Contraception and Protection of Health of Mothers and Children; Peking Honours Women's Day; More Women Workers in China Today.

The People's Daily explains quite bluntly that "over the years" large numbers of the workers and staff members in enterprises as well as in organisations have been eagerly demanding that the public health administration departments help them to control births. Many of the peasants have also been putting forth the same demand. This demand of the masses the Party and the Government support, it avers, and it disclosed that as early as August, 1953, the State Council instructed the Central Health Ministry to help the masses exercise birth control, and approved in the meantime the Ministry's revisions in the method of contraception and artificial expulsion. After the Party leader Liu Shao-chi had called a symposium on December 27, 1954, to discuss the problem of birth control, the Second General Office of the State Council designated the responsible officials of the competent departments to organise research groups for the discussion of the contraception problem and brought forth meanwhile a number of measures on the subject. At the Eighth National Party Congress Premier Chou En-lai, in a report in behalf of the Central Committee of the CCP on "suggestions relative to the development of national economy and the second five year plan" reiterated the desirability of appropriate control in respect of birth. The various levels of the public health administration had taken a number of measures in line with the directions of the Party and Government, but they manifested hesitations with the result that the urgent and reasonable demand of the broad masses had not yet been satisfied.

"Our country is the most populous in the world," said the editorial. "In all affairs of the world, man is the most valuable. Under the leadership of the Communist Party, the 600 million people of our country have wrought many great miracles. Because of the fundamental change brought about in the economic, cultural and sanitary conditions of the nation, our rate of birth has gone up. The constant growth of our population indicates the prosperity of our people. This is good; it is not bad at all. But, owing to the long period of exploitation and enslavement to which our country was subjected in the hands of imperialism, feudalism, and bureaucratic capitalism, our economy and culture have been

very backward and scores of years will have to elapse before we can expect a radical alteration of this backward status. This backward status has necessarily hampered any rapid improvement in the livelihood of our people and has, of course, brought about many difficulties that defy immediate solutions. These difficulties are as a rule particularly conspicuous in the case of parents with many children. Thus, steady as has been the increase in pay of the workers and staff members and great as have been the strides in the development of nurseries and schools, they have not been adequate." Many of the parental workers and clerks have suffered serious adverse effects in their work, study and health and have also experienced many difficulties and obstacles in home life and in the education of their offspring. Instances are cited to underline this point, one being that of "woman representative Big Sister Ku," of Yungshing Terrace, Shanghai, who gave birth to 14 children and is now so weak that "she sweats even on snowy days." Peasants who had long been in dire poverty have also been asking for birth control. Cases of infanticide used to be high, but with improved conditions they fell and with less mortality and greater care the population increase in the rural areas has been fast. Since the promotion of modern midwifery, an annual average of five million more infants have survived compared with pre-liberation years. The rural population has been growing too fast and thus improvement of livelihood is obstructed. They became so keen on contraception that when, for example, an exhibition on contraception was held at Yuetienhsien in Hopei Province, no fewer than 50,000 people went to see it. In some of the cities and towns, contraceptive drugs and agents and books on the subject were completely sold on arrival. Clearly, therefore, contraception in the rural areas is a matter requiring urgent solution.

Over the years the population has been increasing at an annual rate of 2.2 per cent, exceeding any other countries in the world. Side by side China's average industrial production has been increasing at an annual rate of 10% and the agricultural production by five per cent. That is a very high speed of economic development, and it is because of this that improvement of livelihood of the people is possible. But if the speed of population slows down, livelihood improvement will correspondingly quicken. In the circumstances, therefore, it is advocated that, except in the sparsely populated minorities regions—in Tibet the native leaders were told they ought to have a quick doubling of the population, with the hint that China would do the needful—all areas should promote appropriate birth control. "The birth control that we stand for is fundamentally different from that of the Malthusian theory. Malthus held that population tends to multiply for ever faster than its means of subsistence. The actual life of our country has proved this theory erroneous. But the establishment of the Malthusian theory as false does not mean that there is any necessity or advantage to be gained in a high frequency of impregnation."

Methods of exercising birth control are outlined. First, China must change the custom of early marriage. The earlier people get married the more children they have and the greater the difficulties thus imposed on young couples. The Marriage Law stipulates the minimum age allowed for marriage but this stipulation does not imply that persons over this minimum age must get married. In fact, marriage at an age over 25 is good and not harmful. At present many of the young men get married before 25 and even

before 20, taking on themselves many difficulties in livelihood. In many of the rural districts there are marriages below the ages stipulated in the Marriage Law. Thus it is necessary to launch a strenuous campaign of publicity and education among the masses, frustrating the bad custom of early marriage and promoting late marriages. Second, the promotion of contraceptive methods. All those methods which are efficacious should be promoted on condition that they do not impair health. On this condition, persons who have too many children may adopt, if they voluntarily choose, permanent contraception. "It is improper that the public health departments have placed too heavy restrictions on this in the past. They should broaden these restrictions in future. Birth control is a matter of concern to the people as well as to the state. We must propagate and promote it, clarify its positive significance far and wide, disseminate accurate knowledge of male and female physiology, introduce effective and simple contraceptive methods and make available cheap and reliable contraceptive agents. No acts of compulsion or command are to be tolerated in this work."

Two days later the Minister of Health (Mrs. Li Teh-chuan) announced that with the greatest reluctance the health authorities were going to change the strict rules governing induced abortion and sterilization. From now forward these operations would be performed on request without restriction. This did not in the least imply that

the Government favoured either of these things, and she stressed the voluntary nature of all birth control. China's population, she pointed out, is growing by about 15 million yearly. She cited a survey of some textile factories in Shanghai among 609 pregnant women. Of these 17% were pregnant twice within a year; 53% each year; and 22% twice in three years. In one Shanghai textile mill of 7,000 male and female workers, the women workers had produced 7,000 children in seven years. She pleaded for every effort to break down the traditional opposition to birth control which, she said, was especially strong in the rural areas. Without planned childbirth China could not free herself from poverty and become prosperous, rich and strong. Maximum efforts must now be made to improve the supply of contraceptives and the price will be lowered.

Women wage workers in China have risen by 20% and now total over three million, five times more than the figure in 1949. There are now 2,400 women teachers teaching in Peking's universities, double the 1953 figure. Except in a few joint enterprises, all factories give equal pay for women and men, whereas before liberation women received one-third to one-half of men's pay. Over 100 million peasant women are members of agricultural co-operatives, most of which follow the principle of giving them work suitable to their physical capacity. It is their ever-growing part in production which has been perhaps the decisive factor in the birth control campaign.

THE HISTORY OF CHINESE PAPER MONEY

By E. KANN

SECTION I: ANCIENT CHINESE PAPER MONEY. PART THREE

The source of description of the foregoing two notes, as well as the following, is *San Chao Ch'ao Pi T'u Lu*. The third note described by the same source is the five-kwan note of Cheng Yu (A.D. 1213-1216) of the Chin dynasty. At the top, outside the border decoration, is seen Five Kwan. Within the border, written horizontally: Cheng-yu Treasury Bill. In the center of the middle panel "Five Kwan" and "Eighty is sufficient for One hundred." At the right and left are found the series and numbers, respectively. In seal script, at the right of the upper square: The counterfeiter shall be decapitated. The reward shall be 300 kwan in Treasury Bills. In the center of the lower panel in ordinary letters: The counterfeiter shall be decapitated. The reward shall be 300 kwan in Treasury Bills. In addition, the property of the criminal shall be given. To the right thereof: The imperial sanction having been petitioned and received, the Treasury Bill is printed to be current and to be used equally with specie. This shall be redeemable for an unlimited period of time at the government Treasuries of Ch'ing-chao and P'ing-liang-fu.

The following inscriptive remarks also are met with in the lower panel: The Treasury official in charge of printing (and his sign-manual); The deputy of the Treasury. The associate officer (and his sign-manual); Ch'eng-yu . . . year . . . month . . . day. Outside the left border: Ching-chao-fu conjoined. Ping-liang-fu conjoined.

Emperor Hsuan-tsung (A.D. 1213-1223), whose era (from 1217 to 1222) was known as Hsin-ting.

In A.D. 1221 a two-kwan note, called Hsing-ting pao-c'uan, was issued. The face value of the note was accepted

for 400 kwan of Cheng-yu tung-pao (which is paper money). The design differed widely from most of the previous notes. Outside the upper border are found two strings of cash coins, crossed. The first top column reads: Hsing-ting treasury money. Below: Two-kwan wen-sheng. In the middle panel: vertically series and number, and horizontally: Nan-king District. On the right in seal script: The counterfeiter shall be decapitated; at the left: The reward shall be 600 kwan. In the center of the circular panel, laid out vertically: The counterfeiter shall be decapitated; in addition, the property of the criminal shall be given. To the right thereof: The imperial sanction having been petitioned and received, the Hsing-ting Treasury Money is printed to be current and to be used equally with specie. This shall circulate and be current for an unlimited period of time. Then, by way of authentication: The Officer of the Bureau of Treasure Money (and his sign-manual); the Associate Officer (and his sign-manual). At the left of the circular panel: Hsin-ting sixth year, second month . . . day.

The director of the Bureau of Treasure Money (and his sign-manual). The deputy Examiner (and his sign-manual). The Accountant of the Board of Revenue (and his sign-manual). The Chief-auditor of the Board of Revenue in the Executive Department (and his sign-manual).

In addition to the foregoing rather detailed examination of the issuance of paper notes under the Southern Sung dynasty it is deemed desirable to include the views and remarks of a modern Chinese writer, Yang Lien-sheng**. He calls paper money *par excellence* in the Southern Sung period

** See "Money and Credit in China", by Lien Sheng Yang, fol. 55 (1932).

Hui-dze, or check medium. Like its predecessor *chiao-dze*, *hui-dze* also originated as a private instrument. Private monetary agencies emitted in the middle of the 12th century at the capital, Lin-an, paper money by this name. (to-day's Hangchow). But in A.D. 1160 Government interdicted the spread of private *hui-dze*, issuing its own which was at times called *Guan-dze* (official check medium), in order to distinguish them from the private notes. Denominations came as 1, 2 and 3 kwan.

In A.D. 1168 the period of circulation, or *chieh*, was fixed at intervals of three years, and the quota for each period was fixed at ten million strings. Small values of 200, 300 and 500 cash were added. At first the *hui-dze* was in vogue around the metropolis, but as time went by, they spread to neighboring provinces until their circulation reached every corner of Southern Sung China, except Szechuen. This was another occasion when Government found in paper money an expedient means of meeting excessive expenditures. From A.D. 1176 certain emissions were permitted to circulate for six and nine years. In A.D. 1195 the quota for a redemption period was raised to 30 million strings. In A.D. 1209 old and new notes of three specified intervals which were in traffic totaled about 117,600,000 strings. By A.D. 1232 fiat money of two periods aggregated an even higher figure, namely 329,000,000 strings. From A.D. 1247 onward, notes of two periods were permitted to circulate without a time limit. Since these inflationary measures were instituted without regard to actual market requirements, they caused *hui-dze* to rapidly decline.

In the initial few decades the market value of *hui-dze* kept fairly steady. In compliance with the Sung practice of counting 77 bronze cash as one hundred, a string of *hui-dze* was to exchange for 770 cash. Until about A.D. 1208 the market price in the capital fluctuated around 700 cash. In the provinces it was considerably lower, approximating 600. But after A.D. 1210 the value of *hui-dze* declined markedly. By A.D. 1263 even the official quotation had sunk to 250 cash; and toward the end of the dynasty it had become almost worthless.

In contradistinction to *chiao-dze* in Szechuen province, which bore stamp prints of three colors, *hui-dze* notes are reported to have been printed from single brass plates in one color. The example of printing from one plate was followed in the paper currencies of Chin, Yuan, and subsequent dynasties, of which specimens are preserved. The pattern of such notes is comparatively simple.

In addition to the *hui-dze* of which the circulation was almost nation-wide, there were two kinds of local *hui-dze* in Southern Sung China. In the year 1137 a note styled *yin-hui-dze*, or *yin-hui*, (silver check medium) was issued by local military commanders in Shensi and Szechuen, in face of objections from the Court. It came out in two denominations, namely one-mace and half-mace. Though nominally convertible into the local paper money *chuan-yin* at the ratio of 4 mace to one string, it seemingly was inconvertible into silver. Presumably the total emission was not large.

The other local *hui-dze* was the *Hu-kuang* (Hunan and Hupeh) *hui-dze*, or *hu-hui*, which was channeled into traffic by the Government from A.D. 1163. Though this class of paper notes was not issued in large volume, it nevertheless assisted in the acceleration of inflation.

Prior to the emission of the national *hui-dze* in A.D. 1159, two other notes were placed into circulation in three localities. One was called *kung-chu*, meaning public certificates; of these 400,000 strings were emitted for the area to the east of the Huei river. The other was known as *Kuan-dze* (communicating medium), of which 800,000 strings

were placed on the markets of Hupeh and Hunan; and another 800,000 strings in the area to the west of the Huei river. For *kung-chu* the circulation period was two years, but for *Kuan-dze* it was four years; they were issued in five denominations, from 10 strings to 100 strings. Eventually these were replaced by the *hui-dze* which came out after A.D. 1160.

The large denominations of *kung-chu* and *kuan-dze* indicate that the notes were not intended for routine commercial operations. They were redeemable in the capital only, providing a means for the authorities to remit funds to the provinces, and for merchants to transfer funds to the metropolis. As a way of effecting large monetary transfers *kuan-dze*, or *hsien-chien kuan-dze* (cash communicating medium), had already existed in the Northern Sung period, used like the 'flying money' discussed previously.

In A.D. 1264, toward the end of the Southern Sungs, a new fiat money was issued and styled *hsien-chien kuan-dze*, or *chin-yin hsien-chien-kuan dze*, signifying: Gold-silver cash communicating medium. One string of the note was to be equivalent to 770 cash, or three strings of *hui-dze* of the 18th period. Although the name sounded attractive, the note was not convertible into gold or silver or cash. Imperial decrees were issued in A.D. 1268 and 1289 prohibiting devaluation of the note; but they were of no avail, for inflation continued until the fall of the dynasty.

During the two Sung periods, in addition to paper money like *chiao-dze*, and cash drafts like *pien-ch'ien*, other credit instruments called *chiao-yin* (or *chiao-ch'ao*)—exchange vouchers—were in existence. These were transferable instruments, representing claims of money, salt, tea or other commodities. These were government-issued and handled by merchants like modern stocks and bonds.*

THE NOTES CALLED KWAN-TSI

In A.D. 1263 the money-office in Hangchow (Wei-tsi-K'u) was ordered to have a note engraved. In it there were three sections. The limit of issue was stated to be 20,000,000. This apparently meant that 20 million cash was the limit of issue. The notes called for copper cash.

In A.D. 1265 a new emperor, Tu Tzung, had mounted the throne. Kia Si-tau was Prime Minister. His surname furnished a model for the cash note. The upper section was with black strokes. In the center was *Mu* (eye), consisting of three red stamps placed lengthwise. The two strokes at the foot were represented by two oblong black seals. Such were the banknotes of the 13th century, before the Mongol conquest of China, when the country was divided into a northern and southern empire. The Prime Minister, Kia Si-tau, had a very bad reputation. An edict of A.D. 1264 said the rise of prices was caused by a public want of confidence in the paper money then in circulation. The issue was too large. To remedy this evil the old system was reverted to. One hundred and seventyseven were taken as a hundred. They corresponded to three thousand in the paper currency employed to circulate over 18 defined areas. The officers, civil and military, all asked to be paid in ready cash and in *Kwan-tsi* notes. This was done. Kia-Si-tau made cash in the form of notes correspond to silver in the form of notes (*kwan*). One answered to three of the *hwei* tickets which circulated over the 18 defined areas.

In A.D. 1265 the minister issued a false edict at the death of Li I-sung, announcing that the *hwei* notes were not to circulate.

The *kwan-tsi* notes were to circulate only in 17 of the defined areas. The place of *hwei-tsi* was to be taken by the *kwan* notes. To this Lu-kang, the inspector of the office,

* See "Money & Credit in China" by Lien-sheng Yang, fol. 56/58.

where the notes were printed, strongly objected, but he was not listened to. The consequence was that the use of the *hwan* silver notes raised the price of articles very rapidly and the notes representing copper-cash fell in market value.

The *hwan-tsi* notes were first issued in 1131, and this currency was therefore known as the old system. The 18 defined areas can only be prefectures or larger areas of the country. In Szechuen and Hu-kwan there would be this number of prefectures in the Sung dynasty.[†]

THE NOTES CALLED HWEI-TSI

Paper money began to be used more systematically than before about A.D. 1208, in the southern kingdom under the Sung dynasty, when the capital was at Hangchow (Chekiang). The war carried on with North China, at that time ruled by the Kin Tartars, demanded a heavy expenditure. The copper mines seemed to be exhausted and government credit was sufficiently good to warrant a paper currency. The paper notes then issued by the Government were some of the called *hwei-tsi*, and others *hwan-tsi*. At that time government notes circulating in Szechuen were called *Chwen-yin*, and those in Hupeh were known as *hu-hwei*. In those days Hunan and Hupeh constituted one province called Hu-kwang.[‡]

THE NOTES CALLED CH'WEN-YIN

The *Ch'wen-yin* banknotes were first used in A.D. 1218, during the Hangchow Sung dynasty, to pay troops. The issue amounted to five million cash in face value. They circulated in Szechuen only. In the year 1238 notes of the kind called *Tsi-tse-hwei-tsi*, and representing seven million cash, were put in circulation in Szechuen with a limit of three years to run. After this, in A.D. 1255, notes of the face value of ten million cash were circulated in Szechuen. In A.D. 1249 the Treasurer of Szechuen represented to the Hangchow Government that a ten years' term would be better than three years. He asked for a supply of this class of notes. Since A.D. 1205, he said, when war began (by which he meant the struggle between the Southern Sung and the Kin Tartars), the supply of banknotes was not sufficient. The old notes required to be changed within three years. He recommended ten years as the limit of time during which they could be presented for cash payment, or in exchange for new notes. Also he advised that the notes should circulate over a wider area. One prefecture was not sufficient; the notes might circulate over two or three. If this were made known by edict, the people would feel confident in the notes. This happened in China about 40 years before Marco Polo's time. The reigning emperor gave the order accordingly.

In A.D. 1269 the Szechuen government notes were allowed to be made at the capital of the province. Previous to this—A.D. 1256—the emperor had been told respecting irregularities in the paper currency of Szechuen, arising from their being manufactured in the capital of the province and through their not being accepted in payment of taxes. It would have been better to have the banknote block made at Hangchow. It was proposed that the notes ought to have the value of 700 cash for 1,000 cash; and 70 cash for 100 in face value. They were to circulate in the district cities and sub-prefectures of Szechuen and were to be valid as legal payment officially and privately. As they circulated, the old Szechuen *yin* should be destroyed. The silver notes now in use were to continue as legal tender for a time. When the old notes were all given up in exchange for new ones, and the new notes were limited in

extent of issue, the result would be that the paper money would be fresh and unworn, and the price of goods would not rise. The emperor adopted the proposal. The banknote block was prepared at Hangchow and sent to Chengtu, to be in charge of the Salt Commissioner Yun Si. The Governor of the province then sent the paper needed to the Treasurer who superintended the printing of the notes. When this was done the notes were to be sent to the Governor for distribution. The whole number for a year was authorized.[‡]

PAPER CURRENCY LEGISLATION

In A.D. 1207, Kau Ju-li, President of the Board of Revenue, compiled a book of regulations for guidance in the manufacture and use of paper notes. Large and small notes were put in circulation. The emperor said: "Do not again give utterance to the statement that paper notes are not to be esteemed as valuable. Rather look on them as superior to cash when used in exchanges." He ordered that the people, in pawning articles and in buying and selling, should for any sum above 1,000 cash, use paper money; that is, the notes called *hiau-ch'au*, and not copper cash. When contracts are written, goods of various kinds are to form a third of the amount stated.

PAPER MONEY IN SZECHUEN PROVINCE

Actually this subject has already been referred to in the foregoing narrative when discussing 'Ch'wen-yin.' The word Ch'wen (also Chwan or Chuen) stands for "Szechuen" and means stream(s). Here are given the views of Liao Bao-seing* with numerous further particulars. Since Szechuen Province is generally regarded as the district where Chinese paper money originated, it is justifiable to treat our subject with more extensive consideration.

Under the North-South Sung dynasties paper money was emitted under the name of *Chiau-dze*, but it was in A.D. 1107 that it was for the first time issued under the title of *tsen-yin*, meaning Money Certificate. During the Southern Sung dynasty's rule the Szechuen authorities also printed fiat money and called same *chuan-yin*, meaning Szechuen Certificates, in contradistinction to the Government's emission of *hui-dze*. Since the Szechuen issues mainly served to finance military purposes its volume was steadily increasing. Originally the total quantity was limited in Szechuen during the Northern Sung dynasty to 1,256,340 *kwan*. Until A.D. 1137, under emperor Kau Dzung, there was less than 37.8 million *kwan* of paper money in traffic, belonging to three periods of circulation. By A.D. 1162 the volume of *chuan-yin* had grown by further 3,670,000 *kwan*, so that altogether 41,470,000 *kwan* paper notes were out.

The authorities of Szechuen had deposited merely 700,000 *kwan* iron coins as reserves. Besides, they proffered the Monopoly Offices additional guarantees by selling salt, wine, etc., only against notes. In A.D. 1162 the chief-officer for salaries and wages issued one million *kwan* new paper money. Furthermore, two years later, his successor emitted another two million *kwan* fiat money. By anno 1204, under emperor Ning Dzung, this sum increased to 53 million *kwan*, with two circulation periods. In A.D. 1218 the Szechuen authorities were permitted to issue another 5 million *kwan* fiat money for meeting military expenditure.

Such increase naturally culminated in inflation. And this tendency was expressed when, in A.D. 1208 1 *kwan*, or 1,000 cash, turned equal to 400 cash iron coins. Once more it was decided to support the market by purchasing

[†] See "Banking and Prices in China" by J. Edkins, fol. 50/52.

[‡] See "Banking and Prices in China", by J. Edkins.

[‡] Ibid.

* See "Die Geschichte des Chinesischen Geldes", Sinica, Franfort a/M.

13 million *kwan* notes in exchange for gold, silver and monk licences. At the same time, it was intended to withdraw all the notes in Szechuen Province within the year and declare their further use as illegal. As, however, the scheme could not be realized in a district as large as Szechuen and, as besides, the population became agitated by the mere existence of the plan, a rapid break in the value of paper money set in, going as far as 1 *kwan* equals 100 cash, which meant one-tenth of the original value. To restrict the prevalence of further rumours, the authorities proclaimed that three circulation periods should be continued to be recognized and that paper money in Chengtu should be redeemed with gold and silver. By these means the market quotations for every *kwan* rose to 500 cash iron money. In areas where bronze (instead of iron) coins were employed the rate was one *kwan* paper equal to 170 cash in coins.

In A.D. 1210 the retirement of 29 million *kwan* paper notes was accomplished. Out of this total 12 million against coins, gold, silver and monk diplomas; the balance against paper money of the 93rd period. Besides, another 5 million *kwan* of the 94th circulation period were placed into circulation, and these were meant for the redemption of notes emitted by the former general Cheng Sun. These measures caused deflation, resulting in a more stable value of paper money. Finally, as a new measure, it was decreed that henceforth the circulation period should extend over 10 (instead of three) years. So far, paper notes in Szechuen Province had been printed there; but in A.D. 1256 Government claimed this right for itself, though 13 years later it ceded the privilege once more to the provincial authorities. Since then Szechuen issued about 5 million *kwan* paper money every year. During the Sung dynasty there was comparative order in the management of fiat money there.

PAPER MONEY OF THE HSIA DYNASTY

Although the Hsia dynasty does not belong to the regular ruling line, its emperors did reign over certain parts of ancient China. Consequently, the notes issued by the Hsias have to be considered as government money. Various authors, like Klapproth and Morse, ignore these issues, because there is no printed historical data concerning them in existence. On the other hand, such notes have been found in possession of old Chinese families' collections and should therefore be recorded.

It was in A.D. 1087 that emperor Ch'ung-tsung ascended the throne. In the course of his reign, extending over 53 years, he changed the name of the era nine times. Here we are concerned with the era of Yuan-teh (A.D. 1119-1126) and Ta-teh (A.D. 1135-1139).

The paper notes exist in denominations of 1-*kwan* and 5 taels only. The former is 12 x 19 cm in size, while the latter measures 18 x 25 cm; both appear on bluish paper. The 1-*kwan* bill has on top the horizontal inscription "Great Hsia Army Treasury Note"; and after the denomination the pictorial representation of one string of 1,000 cash. From the text in the lower panel it would appear that the paper money was issued for payment of the army.

The 5-ael note displays the top inscription as: "Great Hsia Issuance Treasury Note", depicting five silver ingots below the denomination. In the upper half, on the right, in jade chopstick-style: "Ta-teh Treasury Note". On the left (both vertically): "To be current in the world". The legends on the lower half of both these bills are on the same basis as preceding issues. The reward offered for tracing counterfeiters is 200 taels in silver, as stated on the 1-*kwan* note, and 800 taels as promised on the 5-ael note.

PAPER MONEY OF THE WESTERN LIAO DYNASTY

In A.D. 1125 the Western Liao dynasty was established by Yeh-lu, who was first known as emperor Teh-tsung, and later on as Tien-yu Huang-ti. The era of his reign was first styled Yen ch'ing; but two years later it was changed to K'ang-kuo (A.D. 1127-1135). In the year 1127 notes were issued from 1 to 10 *kwan*. The pictorial design is a novel representation of strings of cash (which resemble caterpillars). According to the face value the bills show from 1 to 10 strings. The border design differs with every denomination. Size of the notes is 15-26 cm. The text filling the lower panel reads as follows: "The Board of War, having petitioned and received imperial sanction, prints for the convenient use of the army the Great Liao Treasury Note, to be used as silver for army supplies. The counterfeiter shall be decapitated summarily. The informer and captor shall be rewarded with taels in silver. K'ang-kuo. . . . year month day." The 3-*kwan* bill promises a reward of 400 silver taels; the 6-*kwan* note offers a reward of 200 taels, while the 9-*kwan* bill promises 1,000 taels reward.

On the back of the notes four Chinese characters are to be seen; the literal meaning of which is: Men, Horses, Peace, Health, denoting: Peace be unto men and horses. The text is found together with the design of a horse. By "Men and Horses" unquestionably the army is meant.

Empress Kan-t'ien-hou (A.D. 1136-1141), whose rule was known as Hsin-ching. Historians do not chronicle paper emitted under this empress. However, various specimens are in existence, so that it is authentic to describe them. Only two denominations are known, viz., 3-*kwan* and 10-*kwan*. The former's size is 12 x 20 cm, while the latter's is 18 x 25 cm. The 3-*kwan* bill shows a pictorial representation of 30 strings of cash, while the latter shows 5 silver ingots. The former is headed by the inscription: "Great Liao Army Treasury Note", and the latter by: "Great Liao Issuance Treasury Note". The 3-*kwan* bill states in the text that it is to be used with the army. The 10-*kwan* is meant "to be distributed and used as cash." The last-mentioned note has vertical inscriptions on the right: "Great Liao Treasury Note"; and on the left: "To be current in the world."

PAPER MONEY OF THE TARTAR DYNASTY OF CHIN

The Tartars took over many government institutions from the Sungs and also the banknote system. In A.D. 1123 emperor Tai-tung ascended the throne and established an era known as Tien-hui. In A.D. 1154 the Chin (or Kin) dynasty started to issue paper money, erecting a main office for the purpose in the capital. The notes called for cash strings or *kwan*. The large notes were denominated 1, 2, 3, 5 and 10 *kwan*, while the small notes appeared as 100, 200, 300, 500 and 700 cash. No upper limit was fixed for the note-issue. After seven years, they were supposed to be exchangeable for new ones, but this stipulation was soon ignored. Instead, worn paper money could be exchanged at the head-office or its branches for new notes, or even redeemed in metal. All notes were destined for local circulation within certain provinces. In A.D. 1155 the note-issuing government office was ordered to provide a metallic reserve fund for purposes of redemption.

Meanwhile a distinct tightness of money had made itself felt and endeavors were made to limit the use of silver, at least for private traffic. In A.D. 1197 five kinds of silver money were issued, namely 1, 2, 3, 4, 5 taels. Every tael was valued at 2 strings of cash. In the following year silver money was declared legal tender, and cash were declared to be subsidiary coin. Payments for more than one string had to be rendered either in silver or else in notes.

During the Sung dynasty's rule the state of Chin, formed by the Northern Nu-chen Tartars (A.D. 1115-1234) only few notes were cast, while much fiat money was put into circulation. The first paper money emitted by that state was styled *chiao-ch'ao*. Due to high military expenditure emperor Suan-dzung in A.D. 1214 put out further paper money in denominations from 20 to 100 *kwan*; and shortly thereafter also notes for from 200 to 1,000 *kwan*. *Chiao-ch'ao* notes were put on the same level as copper money. For changing worn notes into new paper a commission of 15 cash was charged per *kwan*. However, soon the fee was reduced to 8 cash, irrespective of the face value. In A.D. 1197 the authorities returned to the graduation system, asking per value of each *kwan* 12 cash. About 10 years later the charge was lowered to 6 cash, in order to be further lowered in A.D. 1207 to 2 cash per *kwan*. Though nominally redeemable against copper cash, redemption in A.D. 1207 was limited to 2 *kwan* per person.

The issuance of highly denominated notes was caused by the constant depreciation of paper money. But, as there was not enough copper available for redemption purposes, Government adopted the ostrich policy by replacing in A.D. 1217 the previous fiat issue with a new paper emission. One bill of the new issue became exchangeable against 10 of the previous series. Needless to say, the new issue started immediately to depreciate. The ratio of silver to paper moved from the original 1 : 2 to 1 : 4, and finally 1 : 800.

In A.D. 1222 still another emission was deemed necessary. A bill of one string face amount was deemed equal to notes for altogether 400 strings. A new law fixed the ratio of silver to paper at 1 tael equal to two strings in paper notes. It was intended to provide cover in silver for the new series and to grant free redemption at any time. Soon, however, the new notes became irredeemable, so that further depreciation followed. The succeeding two years witnessed two additional emissions of notes. Seeing that the people declined to accept paper and that in consequence thereof depreciation could not be halted, it was decided to limit silver as medium of payment. A decree stated that the rate of exchange for one tael was not to exceed 300 strings in paper money. Furthermore, all payments up to 3 taels were to be rendered exclusively in notes. Exceeding this sum, one-third was to be disbursed in silver, and the remaining two-thirds in paper. Amongst the public the use of silver grew constantly, and as this movement coincided with the development of private banking, government-issued paper money was crowded out.**

Emperor Tai-Tsung (A.D. 1123-1137), who ruled under the style of Tien-hui. Of the notes for which the Chin dynasty was responsible only very few are preserved. There is one, 11 x 19 cm, in size, calling for 5 *kwan*. The first upper line reads "Great Chin Army Treasury Note." The pictorial representation of one silver shoe stands under the face amount. The lower panel displays the following text: "The Civil Board, having petitioned and received the imperial sanction, prints for the convenient use of the people the Great Chin Treasury Note, to be used as the yellow flag. The counterfeiters, if discovered, shall be decapitated summarily. The informant and the captor shall be rewarded with 600 taels in silver. If district officials conceal, the same punishment shall apply to all. Tien-hui, year . . . month . . . day."

It is not evident what was meant by 'Yellow Flag'. Possibly the national flag, perhaps the army as such, or perhaps a certain banner. There exists another note for 10 *kwan* in a state of preservation. It measures 18 x 26 cm, has as pictorial representation 5 weights of silver and the

following inscriptions: "Great Chin Issuance Treasury Note" on the top-line. At the right, in the 'dropping dew' style (as termed by Andrew McFarlan Davis) "Great Chin Treasury Note", while on the left, parallel thereto: "to be issued to the world." The lower panel contains the succeeding inscription: "The Civil Board, having petitioned and received the imperial sanction, prints for the convenient use of the people the Great Chin Treasury Note, to be distributed and used as cash. The counterfeiter shall be decapitated summarily; the informant and captor shall be rewarded with 800 taels in silver. If district officials conceal (such guilt), the same as this shall apply to all. Tien-hui . . . year . . . month . . . day." The notes had not merely the two usual seals affixed, but on the reverse a replica of the larger (lower) front seal.

It might usefully be interjected here that the Chins moved from their capital Shang-ching in Manchuria in A.D. 1152 to Peking, which became the metropolis.

In his book "Banking & Prices in China" J. Edkins dealt with the issues of the Chin Tartars in the following strain: The paper called *Kiao Ch'au* began to be issued about A.D. 1154 by the Tartar chief, who called himself Hai Ling-wang. He established a paper currency Board in Kaifengfu (Honan) with the name of *Kiao Ch'au K'u* under the management of an officer styled *K'u Shi*. A printing office was also opened called *Yin Tsau Ch'au Yin K'u* two months later. It was by the advice of Tsai Sung-nien, President of the Board of Revenue, that this further step was taken and three kinds of officers were appointed to superintend the work with the titles *K'u Shi*, *Fu Pan* and *Tu Kien*. The first two discharged the duty of adding their signatures and stamps to commercial contracts and deeds of sale, as well as to the printing notes, representing five amounts of copper cash, viz., 1,000, 2,000, 3,000, 5,000 and 10,000. These were called the larger cash notes. Besides these, there were the cash notes of smaller face value, representing 100, 200, 300, 500 and 700 cash. These were called *Shau-chau*, or *Shiau-chau*, and they continued for a long period in circulation with copper cash. The limit of circulation was made 7 years in accordance with the method of Chang Yung in dealing with Szechuen notes—*kiau-tsi*. He lengthened the time before which they must be presented for payment, because of the want of copper for making cash.

In A.D. 1173, when the emperor went in state to Shantung from Kaifengfu, the carriage of cash was very inconvenient on account of their weight. On this count paper currency was found very useful. The expense of the imperial cortege was great. Copper cash were scarce in the markets and shops. Paper currency was welcomed by the people and of great assistance in these circumstances. The President of the Board of Revenue, Chang Heng, said the upper capital in Manchuria is distant from Kaifengfu 4,000 li. Copper cash, if sent, would lose two-thirds on the way. This would diminish the revenue and lay a heavy burden on the people. Paper money would be better, because it would be convenient for the people, and a saving to the Government. The emperor granted this prayer.

In A.D. 1189 there were objections proposed to the use of paper money, but local magistrates stated that it was a benefit to traders who brought their goods from a distance. They would purchase notes with copper cash, and this was an advantage to the Government. In addition, it was asked that the limit of time for delivering up the old notes might be cancelled. The people should have the full advantage of the paper currency by its being made a constant currency. But if through length of time and constant passing from hand to hand without longer delay the words and figures on the notes became illegible, they should be allowed to be exchanged by a magistrate for new ones.

** See "Die Form bankmaessiger Transaktionen im innern chinesischen Verkehr", by Dr. Ku Sui-lu.

In the empire of the Golden Tartars in A.D. 1192 an effort was made to limit the number of notes circulating among the people. Their face value ought not to be above the number of copper cash in circulation at the same time. In A.D. 1193 it was found that in Shensi the discrepancy was very manifest. The methods used to diminish the too great number of notes in the province were as follows: In levying duties at the Custom Houses, in payments to troops and salaries to officers the various kinds of money were received and given out in equal proportions so far as possible. When payments were made, half were in metallic coin and half in paper money. If silver and copper notes were scarce the whole payment was made in notes, of which there were two kinds. The copper cash notes and the notes representing silver were paid out in due proportion, so that there should not be too many of either kind.

According to Lin Bao-seing* paper currency during the Tai-ho reign (A.D. 1201-1208) gained in Shensi province, especially through barter traffic. The large *Chiao-ch'ao* notes were abolished and replaced by newly printed small denominations. In A.D. 1206 emperor Chang-dzung caused the deposit of 100,000 *kwan* copper coins, which were to expressly serve purposes of redemption. One year later the authorities ordered the exchange of large-denominated notes into small notes. All business transactions exceeding one *kwan* in size were to be contracted henceforth in paper money, and no more in copper coins. Also the size of metallic hoards was reduced; all holdings of copper money above the limit were to be given up against *chiao-ch'ao* notes. In order to induce officials to carry out governmental policies, they were either promoted or reduced in rank in accordance with actual conditions in which paper money was found in the areas under their jurisdiction. It is remarkable that *hui-dze* fiat money of the state of Sung was then permitted to remain in circulation; however, only 10 *kwan* was the upper limit for any individual disbursement.

When the public had lost confidence in the *Chiao-ch'ao* currency, new fiat money made its appearance in A.D. 1215 under the name of *Pao-chuan*. Originally the notes enjoyed popularity, but when they began to appear in large quantities in Hopeh, Shensi and other areas, it did not take long before similar symptoms of depreciation became apparent, as was the case with the preceding issue of the *chiao-ch'ao* series. Merchants availed themselves of the opportunity by acquiring the paper money in those particular districts, in order to use it for purchases in the metropolis. But soon commodity prices there mounted as a direct consequence. In order to obviate this drawback the authorities ordered that the *pao-chuan* should have validity in one district at any one time. This meant that the *pao-chuan* notes of Hopeh were not valid in Honan, etc. In this manner the system of monetary transfers was made very difficult. In order to nevertheless maintain paper money, all further requisitioning of copper coins was interdicted.

Renewed large military expenses forced the Government in A.D. 1216 to once more admit *pao-chuan* notes for circulation in all districts. A year thereafter new fiat money was emitted under the style of *tung-pao*, calling for sundry denominations between 100 and 3,000 cash; same circulated side by side with *pao-chuan* currency. One *kwan* of the new paper was made equal to 1,000 *kwan* of the *pao-chuan* notes. Very soon the *tung-pao* notes were afflicted with the same poor fate. At the outset, 4 *kwan* of the *tung-pao* currency were the equivalent of one ounce of silver. But three years thereafter one had to pay 800 *kwan* for the same quantity of silver. Thereupon, in A.D. 1221, new paper money was issued under the style of *pao-tsuan*, which was fixed at 400 *kwan* of the *tung-pao* paper currency. Every

two *kwan* were equal to one liang of silver. The *tung-pao* notes continued to remain in circulation, though it was easy to exchange them against newly emitted paper notes.

In A.D. 1223 two further kinds of paper notes were issued, namely the *chung-pao*, which was valued for each *kwan* at 50 *kwan* of the *tung-pao* emission; and also the *chen-huo*, which was printed on thin silk. Both kinds circulated together with the old paper money and with silver. The simultaneous validity of many kinds of fiat money caused numerous complications and was also the cause of a considerable inflationary movement.

The price of silver mounted steadily and the population hardly employed paper money; instead it used silver. In view of this situation the authorities commanded that one ounce of silver should not be valued higher than 300 *kwan* *pao-chuan* paper currency. Commercial transactions for less than three ounces of silver were not permitted to be concluded in metallic money, but only in paper. In the capital, as well as in the provinces, official bureaux were set up, charged with exchanging paper money against silver. In order to obviate private parties making exchange profits, the handling of fiat money against metallic funds was disallowed.

After a rather short interval, the Government again permitted the unlimited use of silver, as well as private transactions in silver against paper. However, this measure did not act as a brake against monetary inflation. During the reign of emperor Ai-dzung (A.D. 1224-1231) the people used silver almost exclusively. In 1233 the same emperor caused the emission of *pao-hui* paper money which was not, as hitherto, to be considered as supplement to copper money, but as silver currency. In this way it was issued in weight units of 1, 2, 3, and 4 *tsien* paper equal to 1-*tsien* in silver, being allowed to circulate side by side with silver. However, as already one year thereafter, the state of Chin was destroyed by the Yuan dynasty, so that the validity of the measure was of brief duration.

The numerous military campaigns of the state of Chin had become a burden to the Government. The lack of sufficient quantities of copper prevented the minting of adequate amounts of coins. This factor served as an excuse for the authorities to issue new paper currency for which, however, there was no metallic cover available. The newly emitted paper money depreciated already after a very brief space of time. The Chin state did not even attempt to combat the inflationary movement, but instead forced further quantities of paper into circulation which remained in traffic side by side with former emissions. In this way the monetary position turned worse, and the rapid depreciation of the newly issued paper could not be halted. Toward the end of the Chin period, the people would recognize nothing else but silver as medium of payment.

According to Lien-sheng Yang,† in A.D. 1215, the *chiao-ch'ao* notes were changed to new ones styled *Chen-yu pao-chuan* ("Precious bills of the Chen-yu era"). This note established the custom of using the reign title in the designation of the paper currency. To maintain the value of paper money, Government attempted price control. Such current ceiling prices were prescribed twice monthly. This rule (probably the first essay in history) was enforced only within the capital and was officially abandoned after about two months. In A.D. 1233, one year preceding the fall of the Chin dynasty, a note called *Tien-hsing pao-hui* ("Precious note of the Tien-hsing era") was issued in Tsai-chou, the last refuge of the Chin ruler. It was in four denominations, namely 1 to 4 mace of silver. Probably the intention was to attempt putting paper money on a silver basis. But it was too late to do any good.

† See "Money & Credit in China", Cambridge (Maas), 1952.

* See "Die Geschichte des chinesischen Geldes, Sinica, 1941.

(To be Continued)

JAPANESE ECONOMIC DEVELOPMENTS

Exports and Imports in 1956

Customs clearance statistics for 1956 show that exports during 1956 amounted to US\$2,500,978,000 and imports to \$3,229,647,000, leaving an import excess of \$728,669,000. When compared with the preceding year, the 1956 figures indicate increases of \$490,378,000 for exports and \$758,217,000 for imports, and consequently the import excess was enlarged from \$267,839,000 to \$728,669,000. Exports and imports last year were postwar highs.

There was a marked increase in exports to the dollar and sterling areas. To the dollar area exports of such commodities as shipping bottoms, machinery, textile goods, and metal and its products realized a substantial advance, while textiles, machinery and food and beverages saw a remarkable rise in their exports to the sterling area. In the field of imports, a sizable increase was observed in imports from the dollar and sterling areas, especially from the sterling area of raw materials for textiles, metal ores and scrap, food and beverages, and mineral fuels.

Of the chief export items, cotton fabrics ranked first with \$266,614,000 accounting for 10.7 percent of the total exports, being followed by vessels with \$259,975,000 (10.4 percent of the total exports), iron/steel products with \$223,579,000 (8.9 percent), clothes with \$122,675,000 (4.9 percent), spun rayon fabrics with \$122,342,000 (4.9 percent), fish and fish products with \$120,611,000 (4.8), rayon filament fabrics with \$87,914,000 (3.5), metal products with \$66,448,000 (2.7), toys with \$55,369,000 (2.2), and non-ferrous metals with \$50,009,000 (2.0 percent).

Of the major import items, raw cotton came first with \$479,911,000 occupying 14.9 percent of the total imports, being followed by petroleum with \$312,789,000 (9.7 percent), raw wool with \$221,417,000 (6.9), iron/steel scrap with \$183,392,000 (5.7), wheat with \$164,697,000 (5.1), iron ore with \$146,586,000 (4.5), sugar with \$127,217,000 (3.9), rice with \$109,392,000 (3.4), coal with \$90,519,000 (2.8), and soyabeans with \$83,683,000 (2.6 percent).

Exports and Imports in 1956

Exports	Unit	(Value: in \$1,000)			
		1956	Value	Quantity	1955
Food & beverages			179,942		156,130
Fish & fish products	tons	196,393	120,611	155,108	75,628
Tea	1,000 lbs	22,580	5,642	31,954	9,750
Textile & products			871,131		749,406
Raw silk	bales	74,478	41,783	86,712	50,014
Cotton yarn	1,000 lbs	27,347	26,264	36,226	24,322
Rayon filament yarn	"	19,530	9,006	19,046	9,975
Spun rayon yarn	"	35,369	18,017	39,224	16,381
Cotton fabrics	1,000 sq yds	1,261,804	266,614	1,138,839	223,881
Silk fabrics	"	47,968	22,403	30,022	15,728
Rayon filament fabrics	"	438,088	87,914	342,549	80,686
Spun rayon fabrics	"	694,883	122,342	521,391	82,408
Clothes	"		122,675		106,603
Pharm. & chem. products			106,672		93,753
Chemical fertilizer	tons	916,610	49,681	762,875	41,694
Non-metal mineral products			114,475		85,069
Cement	tons	2,107,293	37,931	1,206,244	22,494
Ceramics			49,533		41,981
Metal & products			340,936		385,950
Iron & steel	tons	1,296,700	223,579	1,968,521	259,495
Non-ferrous metals	"	42,011	50,009	77,190	65,773
Metal products			66,448		60,682
Machines			483,030		246,764
Tex. machines & parts			36,089		26,561
Sewing machines		1,484,709	34,194	1,535,865	34,786
Vessels			259,975	346	76,186
Others			405,662		313,526
Lumber	M3	546,160	22,500	442,008	28,994
Toys	tons	61,035	55,369	47,352	42,483
Plywood	1,000 sq ft	700,533	42,919	639,739	36,536
Total:			2,500,978		2,010,800

Imports	Unit	1956		1955	
		Quantity	Value	Quantity	Value
Food & beverages			558,333		824,976
Rice	tons	769,651	106,382	1,246,384	196,700
Barley	"	922,414	61,992	576,442	39,850
Wheat	"	2,267,369	164,697	2,287,453	167,431
Sugar	"	1,192,176	127,217	1,070,198	115,894
Textile materials			798,444		601,858
Rayon pulp	tons	128,418	36,508	78,175	16,081
Wool	1,000 lbs	291,626	221,417	205,359	164,433
Raw cotton	"	1,496,170	479,911	1,090,034	383,225
Hard & bast fibers	"	218,856	25,172	177,856	21,731
Metal ores			456,617		185,742
Iron ore	tons	7,938,019	146,586	5,459,458	81,539
Iron/steel scrap	"	2,582,551	183,392	1,286,959	63,753
Non-ferrous metal ore	"	1,679,921	77,275	1,021,575	33,508
Non-metal minerals			95,722		70,464
Phosphate ore	tons	1,696,401	41,678	1,646,463	33,742
Salt	"	3,273,664	29,469	2,025,019	21,597
Mineral fuels			412,486		289,000
Coal	tons	3,813,998	90,519	2,861,923	56,214
Petroleum	kl	15,101,171	312,789	2,144,718	227,397
Other raw materials			359,685		335,472
Raw hides	tons	76,067	30,550	61,763	23,375
Soya beans	"	706,598	83,683	808,177	96,244
Crude rubber	"	107,025	73,497	87,689	66,256
Lumber	M3	2,584,732	81,075	2,051,859	61,786
Pharm. & chem. products			163,281		112,450
Potassic fertilizer	tons	851,246	43,617	714,254	32,244
Machines			181,106		135,463
Others			223,961		119,064
Beef tallow	tons	104,852	21,953	117,382	25,306
Total:			3,229,647		2,471,451

Cement Market

Since September last year, the trend in cement has turned upward, for which were responsible increased exports and enlarged equipment investments. Thus the demand for cement last year showed a 20 percent increase over the preceding year. Such advance will continue further into this year and about 10 percent increase over 1956 will be realized in demand. The total demand this year will be 14,600,000 tons, which might still be increased to over 15 million tons, should the various plans of the government be put into effect as scheduled. The productive capacities of manufacturers do not seem to be able to keep pace with the fast advancing demand. Some 50 percent of the kilns now in operation are already beyond their age-limits. They must be replaced with new ones. Makers are now making preparations for production increase with improved efficiency. The scheduled target of 14,600,000 tons for this year will be achieved with an operation of 80 to 85 percent of the equipment after the completion of improvements.

There is every sign that exports will more advance this year. In connection with reparations, the Philippines will take much cement. From other parts of the world, inquiries have been coming in which were greatly accelerated by the troubles in the Near East. Restoration of relations between Japan and Soviet Russia will facilitate trade with her satellite countries, especially Communist China, where, traders figure, Japan could sell about 500,000 tons of cement during the current year.

The cement price has already been showing an upward movement. Quotations range Y6,300 to Y6,400 per ton with an indication of a further rise. The price may reach Y7,000 per ton in summer.

Railway 5-Year Plan

The National Railway Corporation has slated its five-year plan for improvement of transportation capacities, with an expenditure of Y698,600 million. In the first half of the planned period, especially in 1957 fiscal year, stress will be placed on the mitigation of the insufficiency of transportation capacities by rail and on the improvement of safety

efficiency. In the second half of the period, raising of transportation capacities will be a main objective, for attainment of which new tracks will be laid and marshalling yards will be better equipped as well as widened. Services in passenger and freight transportation will be greatly improved.

In 1957 fiscal year, the capacity of passenger transportation will be raised by 5 percent on an average over the whole railroad network. Special attention will be given to the suburban lines to ease up the rush-hour congestion of commuters. Electrification of railroads will be expedited. 200 passenger coaches, 614 electric cars, and 342 gasoline cars will be newly built, which will mean a 7.5 percent increase over present capacity. In the field of freight hauling, 8,200 freight cars will be newly added. When the five-year plan has been completed, passenger and freight transportation capacity will be raised by 39 percent and 34 percent, respectively over the present one.

Reparations to Burma and Philippines

The Japanese Government is now about to fulfil terms of the reparations agreements entered into with Burma and the Philippines. During the past year, contracts for goods and services to Burma and the Philippines totalled Y6,824,806,720 and Y299,980,808, respectively. The payment of reparations to Burma began with the announcement of the first tender on January 4, 1956 while those to the Philippines started with bids for cement exports on December 1 that year.

With Burma, 172 contracts for services and goods were verified with a total value of Y6,824,806,720, and principal goods contracted for were vessels, rolling stocks, buses and trucks, machinery, electrical appliances, construction materials. Services offered included construction work, dispatch of technicians and acceptance of Burmese students. The amount of money the Japanese Government paid to the Burmese Reparations Mission totalled Y2,863,351,216 which the Mission in turn paid for the above goods and services. Payments were smaller than the amount of verified contracts because many of the contracts are for heavy machinery which require a long time to manufacture. Consequently, many payments will be made this year on goods contracted for during the previous year. Payments will, therefore, register an increase hereafter. A compromise was reached last year on the pending negotiations for equipment to be installed in the Balu Chung power plant. A contract valued at Y3,700 million will be signed shortly. Burmese reparations are now rolling along.

As for the payment of reparations to the Philippines, 36,750 tons of cement were contracted during the past year and together with transportation, insurance and inspection

charges, validated contracts amounted to Y299,980,808 in value. The Japanese Government paid Y148,851,000 to the Philippine Reparations Mission. In addition, Y2,183,944,420 was paid during the year for ship salvage being carried out according to the interim reparations agreement. The total thus reached Y2,332,795,420.

According to the Burmese reparations agreement, the Japanese Government agreed to pay on a yearly average Y7,200 million (\$20 million), or a total of Y72,000 million in the next ten years. The Philippine reparations agreement provides that the Japanese Government pay to the Philippine Government in the first ten years an average of Y9,000 million and an average of Y10,800 million in the next ten years, or a total of Y198 billion (\$550 million) in the form of goods and services.

Budget for Fiscal 1957

The general budget for fiscal 1957 is Y1,137,464 (million) both for revenue and expenditures. Compared with fiscal 1956, the current budget has an increase by Y102,541 (million).

(Unit: Y1 million)

Items	Fiscal 1957	Items	Fiscal 1957
Revenue	1,137,464	V. Pension expenses	96,090
1. Tax and stamps	946,915	1. Pensions for Gov't workers and others	17,475
2. Monopoly payments	118,267	2. Pensions for families of former soldiers	78,615
3. Gov't earnings	14,518	VI. Equalization grants	186,760
4. Liquidation of Gov't assets	8,687	VII. Defense	141,165
5. Miscellaneous Income	29,946	VIII. Reparations and other special obligations	21,500
6. Surplus carried forward	19,131	IX. Public works	164,467
Total	1,137,464	1. Mountain and river conservancy	37,125
Expenditure	1,137,464	2. Road construction and repairing	45,837
I. Social Welfare Expenses	122,619	3. Harbor and Port facilities	13,737
1. Livelihood security	36,507	4. Food production increase measures	26,892
2. Children's welfare, etc. Social welfare	9,311	5. Natural disaster relief	39,810
3. Expenses for families of deceased and of detainees, etc.	7,085	6. Revival of ruined mines	566
4. Social Insurance	20,129	7. Integral development of national soil	500
5. Unemployment measures	34,792	X. Housing and Public hygienic measures	11,380
6. Anti-tuberculosis measures	14,795	XI. Agricultural insurance	10,723
II. Cultural & Education Expenses	134,715	XII. Subsidies for building ocean-going vessels	0
1. Gov't subsidy for compulsory education	84,700	XIII. Reserve fund	8,000
2. Management of State schools	36,908	Total of Principal Expenses	951,436
3. Educational and cultural facilities	8,855	Miscellaneous	186,028
4. Educational projects	4,252	Total	1,137,464
III. Expenses for scientific & technical development	17,875		
IV. National debt	36,142		

ECONOMIC LETTER FROM TOKYO

General Economic Conditions: In its February report the Economic Planning Board states that, while little basic change has occurred in the country's economy, an increased strain is being felt in balance of payment position and monetary situation as the result of rapid expansion; and that, therefore, caution in investments and monetary flexibility are called for. Industrial production index for December last was 234.8 (1934-36=100), which was only 1% above November, but still maintaining a high level. Equipment investment was 27% higher in the meantime, mainly in electric power industry. Foreign exchange account in January resulted in a net deficit of \$55 million after making adjustment for the usance bills, because of recent sharp in-

creases in imports, a deficit such as was seen only in 1954 when crop failure necessitated extraordinary imports. A pressure is being brought to bear on the money market after the turn of the year by an unexpectedly large excess withdrawal of funds to the Treasury and continued brisk fund demand for industrial purposes. While bank loans increased by Y17,200 million in January, chiefly for settlements of import bills, real deposits decreased by Y32,900 million. New issues of bonds were expected to reach the post-war high of Y17,250 million, but a difficulty is being experienced in their absorption by the market.

Money Outlook: Governor Yamagiwa of the Bank of Japan said that money will continue a tight tendency in the

first 3 months-period of fiscal 1957 (April-June), considering the foreign trade situation, as indicated by the export and import letters of credit received or issued up to date, and relatively small Treasury disbursements in early months of the new fiscal year. The same view is coming to be shared more and more by bankers, of whom many revise their loan programs. In response to such a change in bankers' attitude, there are changes in the business projects of enterprises. It is necessary for the bankers to accumulate funds and meet industrial needs for money.

Road Construction: In view of the obstruction to industrial expansion of the shortage of transportation capacity, the Government has included some Y78,000 millions' road construction and improvement expenses in the fiscal 1957 budget as an embodiment of its positive road policy. This is more than 50% increase from 1956 expenditure. Business firms concerned are prepared to receive big orders by improvement of machines and other equipment. **Shipbuilding in fiscal 1957:** The Transportation Ministry estimates new ships laid down in coming fiscal year will total 2,287,000 gross tons and those completed 2,200,000 tons, both of which exceed fiscal 1956. This increase in building activity is due to increased demand for domestic vessels, especially of small and medium size. As shipyards have enough work to last for some years, new orders for export received will be less than in 1956 at 1,300,000 gross tons valued at some \$430 million, though payments to be received for exported ships will be greater than in 1956, reaching \$376 million. **No Import Restriction:** It is Government's policy to admit imports of essential goods. Foreign trade policy in 1953 was aimed at stabilization of currency through amassing foreign currencies, but today the situation has changed. Should imports be restrained by Government, it will the more incite the impetus to import. Even without any Government restriction, excessive imports cannot happen because of the present money squeeze. This policy of no

restriction has as its purpose averting any price rise as a result of strained supplies of goods, and imports may reach \$3,200 million in fiscal 1957.

Fund Supply-Demand Outlook for F.Y. '57-'58: Treasury Accounts show only a slight excess outgo over receipts in view of the barely balanced position expected in the international balance of payments. As regards the monetary phase, the rising rate for cash demand is expected to dip below the previous fiscal year, reflecting the anticipated dullness in the rate of economic growth (12% for F.Y. '56-'57, but 8.3% for the following F.Y.).

Fund Supply-Demand Outlook			
(For F.Y. '57-'58)			
	(In Y1,000 million)		
	F.Y. '57-'58	F.Y. '56-'57	Comp. With Prev. F.Y.
A. Treasury Accounts With The Public (Foreign Exchange Fund)	35.0† (9.5)†	130.0* (5.6)*	165.0 (15.1)
B. Financial Inst. Accounts			
Fund Receipts	1,200.0	1,220.0	— 20.0
(Deposits)	(1,030.0)	(1,050.0)	(— 20.0)
Fund Releases	1,215.0	1,450.0	—235.0
(Loans)	(1,045.0)	(1,253.5)	(—208.5)
Balance	15.0	230.0	—215.0
(Bank of Japan Credits)	(15.0)	(224.4)	(—209.4)
C. Cash Currency	50.0	100.0	— 50.0
(Year-end Bal.)	(745.9)	(895.9)	(50.0)
† Treasury excess payments * " " receipts — Decrease			
Selected Indicators			
	1954 Dec.	1955 Dec.	1956 Dec.
Bank Notes	622.0	673.8	784.8
Wholesale Price Index	98.0	97.9	106.4
Ind. prod. Index	172.9	199.1	234.8
Export	190	249	271
Import	172	233	318
			1957 Jan.
			647.8
			106.7
			—
			189
			328

CONTRADICTIONS AMONG THE CHINESE PEOPLE

It may be a long time before the general public are permitted to study the latest disquisition by Chairman Mao Tse-tung on "how to deal correctly with the question of contradictions within the ranks of the people." Needless to say, he did not deal with the topic on the basis of what the poor peasant thinks of the rich one, what the transformed manager thinks of the Party pundit who sits beside him or looks over his shoulder, or any of the other discords on a man-to-man basis. The Chairman is a good deal more modest than some of the Party panjandruns and is also very human. But such matters really cannot be discussed on such a basis by the high priests of Marxism-Leninism. They must be turned into philosophic or academic treatises—a sort of post-graduate thesis full of long words and indigestible argument.

Quite recently two of the professional Communists gave a foretaste of what may be expected. The trouble, one of them says in the organ of China Youth, is that some young people take too simple a view of such things as the contradictions between Socialist nations and within the Socialist nations themselves. Worst of all, their thinking runs counter to dialectics. All that has to be done is to solve the contradictions in the correct way. The major difference between Communist and Imperialist contradictions, it is argued is that whereas the inner contradictions of imperialism are antagonistic contradictions, leading to imperialism's destruction, contradictions within the Socialist nations, led

by the Communist Parties "and the working class," are in the main not antagonistic!

The writer kept on repeating this almost as an incantation, but the argument—when finally disinterred from the immense mass of verbiage in which it is impounded—seems to be that since the contradictions within Socialist nations are not antagonistic they can be solved through discussions, consultations, criticism and self-criticism. The pattern chosen as proof is Soviet-Polish relations.

Nothing whatever is said in this context about Soviet-Hungarian relations, where the contradictions seemed very definitely antagonistic. That is one of the non-antagonistic contradictions that have not yet been done away with in the Socialist camp. But there is quite a lot of casuistry (or dialectics) in this doctrinaire disquisition on these contradictions and on the errors of doctrinarism! But it does come in later on in a reference to the "successful experience" gained by the Soviet Union. If a small country like Hungary invests too much money in heavy industry in the same way as the Soviet Union, regardless of the resources and economic conditions of Hungary itself, and if Hungary loses sight of the favourable condition viz., economic co-operation between Socialist nations, then the living standard of the people will not be improved and discontent will be caused among the people. The Marxist acolyte then drops this argument and interposes a simple catechism: "To oppose doctrinarism and apply Marxism-

Leninism in the light of actual practice—such is one of the problems to which we young people should pay attention from time to time.”

The experience of each country in building Socialism, no matter how good it is, is not necessarily in keeping with the conditions of other countries. The second problem is that the knowledge of the people in Socialist countries falls behind the reality, that is, contradiction between the subjective and the objective. The contradictions between productive forces and relations of production are different in character and assume different forms in different countries.

A Socialist country must be democratic but it can only be democratic vis-a-vis the people while against the enemy, dictatorship must be firmly enforced. But the Socialist democracy should be enlarged step by step and the scope of dictatorship should be gradually reduced. The third problem concerns relations between Socialist countries. These are based on internationalism united with patriotism, which demands not only respect for the tradition of other countries and the interests of one's own but also care for the traditions and interests of one's own country. But mistakes occur by developing patriotism into chauvinism, which also assumed different forms under different conditions, such as Great Nationalism in a Great Socialist Country and the form of National Exclusionism in a small Socialist country. The thing in common between the two is National Vanity and Sense of National Superiority. It is incompatible with Internationalism.

Scarcely less high faluting is another exercise in the same domain by the highbrow Party organ Hsueh Hsi (Political Study), which explains and analyses the main contradiction. This is between the people's demand for the building of an advanced industrial country and the realities of a backward agricultural country. The major problem today is no longer the solution of the question of class contradiction and production relations, but the solution of the question of Socialist construction and the development of social productivity. Change from an agricultural to an industrial country has become the most urgent task. The recognition of the change of the main contradiction in the country is of great significance for the revolutionary work. Comrade Mao Tse-tung had often stated that people's ideology must cope with the changed situation. Revolutionary methods must be changed accordingly. The major struggle method from now on should be persuasive education and the system of law be upheld.

The human contradictions are a good deal more vital and real than the doctrinal contradictions. The worker-activist who spat in his boss's eye and kicked his bourgeois shins during the five-anti terroristic campaign likes his boss even less now that he has been confirmed in his managerial job; and it cannot be said that the manager himself has wiped out all memory of his previous hurt. The Party cadre who runs the Party committee in the various enterprises complains that the manager still runs his business on a “capitalistic” basis—that is to say, he seeks to make it pay its way and even make a profit. The public complain that the State stores are run like official organs, and bureaucratic practices are employed which divorce them from the masses. Representatives of the Municipal Party Committee in Chungking, for instance, declared that the policy of rendering service to the production and to the people were not fully implemented in the commerce departments. Some units only sought convenience for themselves to the neglect of the convenience of the public, and many of the units failed to make proper arrangements for their commercial network to meet the characteristics of Chungking. Moreover, the arrangements for centralised and scattered trading were inadequate. Many cadres did not bother to study and conduct commerce work according to the characteristics of each

trade, and so it was suggested that the commerce departments of the State “take the cure”—that is, have their political-ideological education strengthened.

And while a Lhasa message hails the ‘harmonious Army-Civilian relationship in Tibet,’ Vice-Premier Po I-po contemplates the feelings between the peasants and the city workers with dismay. In an address recently to the first provincial conference of Agricultural Producer Co-operatives in Shansi, he admitted that he found during his tour of the rural areas that the peasants were unhappy over production and held the belief that the peasants fed all Government workers—as they used to do when the Communists headed rebel border Governments—while urban workers shared none of this burden and led a better life than the peasants. The Vice-Premier pointed out, quite rightly, that the situation is now very different and that the Government is putting colossal sums of money into farm production, conservancy and agricultural loans. Apparently the peasants even wanted the workers' wages reduced, to which Vice-Premier Po I-po retorted that the improvement of the peasants' livelihood depended on efficient management of the APCs and not on the reduction of the workers' wages for

REPORTS FROM CHINA

Political Parties: Peking falsely claims the Chinese People's Political Consultative Conference, which held its annual meeting early in March, is a united front organisation including all political parties. These "democratic" parties grew rapidly last year following reaffirmation by the Communist Party of its policy of long-term cooperation and mutual supervision in building socialism in China. "Democratic" parties which are permitted to exist and participate in the National People's Congress (highest constitutional body) include: (1) Kuomintang Revolutionary Committee formed by turn-coat Nationalists. It has 59 deputies in NPC and 25 seats in CPPCC. Li Chi-shen, its chairman, is vice-chairman of National Committee of CPPCC and vice-chairman of Standing Committee of NPC. Ho Hsiang-ning is chairman of Overseas Chinese Affairs Commission, Chu Hsueh-fan, minister of posts and tele-communications; and Chiang Kwang-nai, minister of textiles. (2) The China Democratic League has close contact with the intelligentsia. It was established in 1941 under the name of the Democratic Groups' League, dissolved in October, 1947, under Kuomintang pressure and reestablished in Hongkong in 1948. Shen Chun-ju, chairman, is vice-chairman of Standing Committee of NPC, and vice-chairman of National Committee of CPPCC. The party has 82 seats in NPC and 25 in CPPCC. Vice-chairman Lo Lung-chi is minister of timber industry, vice-chairman Shih Liang is minister of justice and Sha Chien-li, minister of light industry. (3) The China Democratic National Construction Association was formed in 1945. Members are mainly industrialists and businessmen. Huang Yen-pei, chairman, is vice-chairman of Standing Committee of NPC and vice-chairman of National Committee of CPPCC. The party has 63 deputies in NPC and 25 in CPPCC. Chang Nai-chi is minister of food and Li Chu-chen, minister of food industry. (4) The China Association for Promoting Democracy was founded in 1946. Members are chiefly people in cultural and educational circles. Ma Hsu-lun, chairman, is member of Standing Committee of NPC. Other Standing Committee members include Hsu Kwang-ping, vice-chairman and wife of the late writer Lu Hsun; Chou Chien-jen, vice-minister of higher education. Lin Han-ta is vice-minister of education. The association has 16 members in NPC and 12 in CPPCC. (5) The Chinese Peasants and Workers' Democratic Party was founded with the original name of Chung Hua Ke Ming Tang. Later it was changed to Provisional Action Committee of Chinese Kuomintang. In 1935 it was again changed to Chinese National Liberation Action Committee. Its present name was adopted in 1947. Chang Po-chun, chairman, is minister of communications and vice-chairman of National Committee of CPPCC. The party has 19 members in NPC and 12 in CPPCC. (6) The China Chih Kung Tang was organised by overseas Chinese in America and has contact with many overseas Chinese. Chen Chi-yu, chairman, is member of Standing Committee of CPPCC. The party has 4 deputies in NPC and 6 in CPPCC. (7) The Chiu San Society; members are chiefly intellectuals in academic field. Founded in 1944, the society evolved from forums and gatherings of a section of university professors. It was formally inaugurated in 1945. Hsu Teh-heng, chairman, is member of Standing Committee of CPPCC and minister of marine products. Vice-chairman Liang Hsi is minister of forestry. The society has 24 deputies in NPC and 12 in CPPCC. (8) The Taiwan Democratic Self-Government League was founded in 1947. Hsieh Hsueh-hung, chairman, is deputy to NPC and vice-chairman Li Chun-ching member of Standing Committee of CPPCC. The league has two deputies in NPC and 6 in CPPCC.

although they were paid more they required higher skills and their living standards were much the same because costs in the cities were higher. The obvious comment on this passage is that the contradictions seem to grow greater rather than less.

Commenting on mutual supervision between Communist and "democratic" parties, Ma Hsu-lun of China Association for Promoting Democracy said members of other parties were not showing "enough energy" in criticising the Communist Party or in encouraging it to criticise them. He opined that various parties should maintain the common goal of building socialism in China but must also actively represent interests of groups they represent—capitalist, petty-bourgeois, intellectuals. He did not go into details on how this could be done. Former Kuomintang Governor of Sinkiang Chang Chih-chung said there were faults on both sides but the major fault was the wrong attitude of some Communists towards non-Communists.

Economic Situation: Analysing China's present economic situation at the annual meeting of the National Committee of CPPCC in Peking Vice-Premier Chen Yun said increases last year in capital construction, in national wage bill and in peasant purchasing power had placed a strain on the economy. He called for a nation-wide campaign to increase production and to practice economy during the current year. Among various measures, he proposed to reap a bigger harvest from land; to increase industrial output; to cut capital construction; to end grandiose city planning schemes; to streamline government departments; to curtail administrative expenses; and to enforce general economy among the people. Chen Yun predicted that the temporary and partial difficulties for 1957 would be surmounted satisfactorily so long as these measures were carried out; "any shortages in supply could be eased within a comparatively short period with the exception of pork, edible oil, cotton cloth and timber which would take longer."

During the 13-day CPPCC meeting, past faults and difficulties were reviewed by various representatives. Organic chemist Hwang Minlon (former research chemist in Harvard) said, "There is a terrible waste of man-power at a time when scientists are so much needed in China." He criticised government departments and enterprises for ignoring the needs of the situation and setting up their own research institution and laboratories. Hwang also pointed out the waste of time caused by too many meetings and the enormous size of organisations and excess of administrative personnel. Physicist Ma Ta-yu was pleased with the good beginning of the 12-year research plan and the wider scope for research work but said not all scientists were doing work suited to their ability. From the theme of speeches by many other scientists, it seems that the Academy of Sciences is fighting a battle against other government departments over the control and supervision of scientific research in China. Hwang Yen-pei of China Democratic Construction Association commenting on production, said there should be closer ties between planners and those who carry out the plans. He also called for the setting of more realistic quotas of output and more economic use of manpower; he too reported that some of his own friends were not doing work suited to their ability. One engineer criticised that investment in electrical power industry was inadequate, "We are developing our power industry much slowly than iron and steel but in the USSR, US and UK, the opposite is the case." Most speakers however echoed Chen Yun's words and concluded that China must produce more and spend less.

Industrial Output: Supporting Chen Yun's speech, Peking Publicity Bureau announced new production targets of leading light industries. Cement output will go up by 470,000 tons this year, or 7.4% more than last year's 6.35 million tons. Two cement plants will be completed later this year in Northwest and Southwest. A new cement plant recently started production in Tatung, North China; production capacity—40,000 tons per month. Work has begun on two other cement plants which were originally scheduled for the second five-year plan. China plans to produce 830,000 tons of machine-made paper this year, 17% more than 1956. Major increases are in paper for industrial use.

PEKING NOTES

An authoritative Peking publication, specially published for the cognoscenti, refers to the source of Chinese dualism

More than 20 new varieties of such paper will be turned out experimentally. Writing paper, newsprint and other printing paper will amount to half of the total output. Chemical enterprises will turn out 16.5% more products in terms of value this year than last. A new antibiotics factory in North China will soon start production. A new nitrogenous fertilizer plant and a new calcium carbide factory in Northeast will also start operation this year. Production of wild silk will total 74,000 tons this year, 12,000 tons more than last. A new silk factory is under construction in Hangchow. When completed in 1959, the factory will produce 350,000 bolts of raw silk annually. Chekiang produces one-third of China's silk, but the method of production is still semi-handicraft. Construction of this factory is the first step towards the technical transformation of the silk industry. Output of salt will reach 7.6 million tons, 50% more than last year.

Machine-Building: Peking also announced that construction of over 50 machine-building plants will be started this year. Among them are 5 plants for mining and metallurgical equipment; one heavy machinery plant at Fularki in the Northeast will produce complete sets of equipment for large iron and steel mills and a similar plant at Taiyuan will produce forging, pressing and hoisting equipment. 20 plants will produce power generating equipment and related machinery. 4 plants will manufacture locomotive and rolling stocks. Construction of the Sian Precision Instruments Plant will be started this year. The Wuhan Heavy Machine Tools Plant, capable of producing heavy machine tools of over 100 tons, will also be constructed this year. Other constructions include shipyards, tractor, ball-bearing, grinding wheel, petroleum-mining machinery plants.

Harbour Construction: The volume of China's coastal, ocean and inland shipping in 1957 is scheduled to reach 26,336 million ton-kilometres; 11% higher than 1956 and 4.5% more than original target in the five-year plan. In Shanghai, Tientsin, Canton, Tsingtao, Dairen and Chinwangtao, a large number of mechanised loading and unloading equipment will be installed this year. Other engineering projects designed to expand the port facilities will also be undertaken. These six ports will handle 33.59 million tons of cargo as compared with 31 m tons in 1956. Construction of Chankiang Harbour will be completed this year. Work on the expansion of Paso Harbour on Hainan Island will begin this year and will be completed next year. This harbour with a cargo handling capacity of one million tons will facilitate transportation of the island's rich iron ore. More than 90% of the capital investments on inland waterways will be for the Yangtze River. Work on the expansion of the harbours in Chungking and Hankow will be started this year. Construction of an inland river harbour at Yuchikow in Anhwei will be completed this year. Over 114,000 tons of new ships will be added to China's ocean-going, coastal and inland commercial fleet this year. This is 11,000 tons more than last year.

Highways: New highway trunk lines totalling 1,125 kilometres will be built and opened to traffic this year. By the end of this year, total mileage of new trunk lines completed since 1953 will reach 9,271 kilometres. Among highways to be completed this year is the 1,000-kilometre Sinkiang-Tibet Highway. Work on this highway began last year. Work on the 371-kilometre Tunhwang (Kansu)-Tsaidam Highway, a highway near the Sino-Vietnam border and another two in Fukien and Shantung will begin this year. Construction has started on a 390-kilometre highway in Kanze Tibetan Autonomous Chou in east Szechwan. It leads westwards from Tungolo near the starting point of Sikiang Tibet Highway to Patang.

in propaganda and descriptions of the internal situation, which are either "alluringly rose-coloured or depressingly sombre." The source is to be found in the very essence of the dialectical system, it is suggested; for the dialectic—as Communism borrowed it from Hegel—is a zig-zag synthesis of contradictions. This synthesis, this composition, is the process of truth: and truth, so doctrinaires assert, is at once absolute and fluid. The Chinese Communists are deeply attached to this and delight in reducing it to an art. The chief Party propagandist, Lu Ting-yi, recently claimed with pride that this method, given classic expression in Mao Tse-tung's 1942 formula for Party purges, is a Chinese contribution to world Communism. "The Mao formula, known as Ch'eng Feng, is a cocktail of mildness and strength, of elastic fluidity and extreme rigidity. On the surface it is all generosity, forgiveness and kindness, provided, of course, that the deviationist is ready to submit heart and mind and all. The decision to submit, however, is not left to his sole choice. Suasive arguments of every variety, from gentle whispering to thundering menace, are always available to help him to choose rightly." This fluidity of Truth is more evident in its extra-Party application, and the comment upon it is related to the recent address by Mao Tse-tung to the Supreme State Conference, the text of which has not yet been released but which dominated the proceedings of the PPCC Conference which immediately followed.

Conferences in Peking always last too long but the last session of the P.P.C.C. reflected a fair amount of new thought development. Capitalists were criticised by one of their own leaders for disrespect of workers and of State representatives, as well as for conceit and self-satisfaction; while the dubious compliment was returned in kind by criticism of the arrogant attitude often shown by Party and State personnel. The capitalists, one gathered, did not relish being reminded every now and then that they were still third-class citizens. The Party and State personnel in the joint enterprises, doubtless resented even more the occasional sneer about their complete ignorance of the business!

It was suggested by Chang Po-chun (Chairman of the Peasant and Workers Democratic Party) that the PFCC should become a link in China's parliamentary system. He mentioned that, though China did not propose to copy them, both capitalist and Socialist countries had two Houses. (In China's case the Brains and the Bourgeoisie would presumably take the place of the Soviet House of the (Minor) Nationalities). The President of the Supreme Court (equivalent to Head of the Nationalist Judicial Yuan), Tung Pi-wu, said that the cleaning up of "counter-revolutionaries" was necessary and had been a big success. In some places there had been an experiment in secret balloting in the local elections last year, and that this is being progressively extended—though apparently the single list still remains. But it is certainly a very good if cautious beginning in the arts of democracy among a population more numerous even than that of India, where universal, secret suffrage puts India ahead of China in democratic evolution. A former Nationalist Minister of Interior and Kwangsi leader, Huang Shaohung, said that on his tour of the Southern provinces he found, with respect to labour reform of criminals, little to complain about in the administration of justice, but in many places the officials failed to hold public hearings of civil cases. He had also heard from other PPCC delegates of cases of illegal maltreatment of labour reform criminals and failure to release them on expiry of their terms.

KOREA'S COMMERCE AND INDUSTRY

The Ministry of Commerce and Industry adopted successful measures for the increase of production of vital consumers' goods, was instrumental in the construction of new industrial plants, and sought to establish a sound trade policy during 1955 and in 1956.

In order to establish a sound policy on export trade, the private export trade of 1955 was regulated so as to maintain the favorable balance in international trade as much as possible. Profitable goods were granted import permits only when export dollars had been earned previously, and the preferential system was revised in such a way that the preferential rate was raised and items of import goods were added. At the same time, stringent means were taken continuously to prohibit export and import of any strategic commodities to and from Communist countries. The various kinds of foreign exchanges were grouped into two: the ordinary dollar and the preferential dollar categories. Upon the settlement of the single exchange rate on August 14, 1955, important programs of urgent materials were established in accordance with the price stabilization set by the Government, and by releasing \$60,000,000 of annual foreign exchange dollars.

Trade with Japan was suspended during most of 1955. However, on October 14, the suspension was lifted—but only to the extent that uncompleted transactions of contracts which had been made prior to August 15 could be completed. At the same time, trade with Japan resumed and private trade policy for the second half of 1955, which began on January 1, 1956, was established so as to maintain the balance in export and import under the principle of reciprocity.

Export and import procedures were revised in accordance with the decision made by the Cabinet Council on August 26, 1955, abolishing both the old export and import License system and Registration system for traders. The administration on exportation and importation was transferred to the Custom House and the Bank of Korea; the former administers the export and the latter, import business. The exportable items, excluding the restricted items and embargoes, shall all be authorized for export, and import items shall be grouped into the ordinary and special items. Ordinary items shall be imported by the foreign currency which was deposited in the Import Account at the Bank of Korea; whereas the special items shall be imported by the foreign exchange obtained from export and other foreign exchanges which the Government decided to be treated as export dollars. The Bank of Korea handles the importation carried out by Letter of Credit, and the Custom House deals with the importation by special traders.

In order to prevent import and export from and to Communist areas, restriction on export and import procedures was imposed against Japanese companies. On the other hand, the preferential items were prohibited as imports from Japan, and the consular invoice and the certificate of origin were required to accompany import applications.

Copper ore export was prohibited, since domestic use of the ore had been increased in consequence with the rehabilitation of Chang-Hang Smelting Plant.

In addition, the following procedures have been performed: 1. Realization of commercial bill system. 2. Participation in the international fairs. 3. Distribution of indemnity to encourage exports. (10,363,985 Hwan to 23 companies). 4. Distribution of subsidy for the facilities of the Central Wholesale Market. (21,359,767 Hwan to the markets in Seoul City and 7 other markets). 5. Loan

of operational capital for the Central Wholesale Market. (50,000,000 Hwan). 6. The Industrial Exhibition Commemorating the Tenth Anniversary of Liberation; from 1 October to 20 December, 1955, with 40,739 exhibits visited by 1,100,000 people.

The total amount of export and import trade from January through November, 1955, was \$90,067,983, divided into categories as follows:

	Export	Import	Excess of Imports
Government Trade	—	1,048,122	1,048,122
Private Trade	14,949,324	74,070,636	59,121,212
TOTAL:	14,949,324	75,070,636	60,169,335

The total foreign trade deficit increased by about eight and one-half million over that of 1954, but remained substantially below that of the 1953 figure of \$129,740,000.

Mining Industry

The exportation of tungsten ore to the world market, the collection of domestically produced gold for deposit into the Bank of Korea, the development of the Yangyang Iron Deposit, the further exploitation of the silver and copper mines, and the enlargement of the smelting plant were the most important mining projects conducted during the past year. In view of the urgency of rehabilitating the mining industry in Korea, the Government formulated and adopted a five-year plan of increasing mineral production. During the first year of the plan, advances were scored in the production of most of the important minerals, except for gold and tungsten. The following chart shows the 1955 production figures in contrast to the 1954 figures:

Mineral	Unit	1954 Total	1955 Total	Ratio
Gold	Gr.	1,632,844	1,462,785	89.5
Silver	Gr.	1,553,095	2,476,445	159.4
Copper	M/T	7,047	12,704	180.2
Electric Copper	Kg.	204,725	327,859	160.1
Lead	M/T	116	1,365	1,176.9
Tungsten	M/T	3,823	3,146	90.
Zinc	Kg.	17,924	21,140	117.3
Bismuth	M/T	382	433	113.4
Amorphous Graphite ..	"	13,206	90,018	692.4
Iron	"	30,996	28,616	92.3
Manganese	"	1,581	3,482	217.6
Monazite	"	1,005	508	50.2
Barite	"	305	846	277.9
Flourite	"	8,872	10,081	113.3
Diatom Earth	"	1,249	3,078	246.2
Kaolin	"	9,457	14,143	148.8

In order to keep pace with the general trend of the other nations which are concentrating their geological efforts on searches for atomic ores and utilization of atomic energy, the Govt. concentrated on an investigation of possible uranium deposits. A combined team of all authorities in this field, including university personnel, research specialists, and engineers of the Bureau of Mining, conducted an investigation in the districts of Kumwha, Chorwon, and Hwachon. The initial survey reports held promise of genuine uranium deposits in these areas.

A plan for the expanded operation of the Chang-hang Smelter was put into effect. Beginning June, the plant began to operate a 100-ton furnace, replacing the old 30-ton, outmoded furnace. As a result, the Smelter is now producing an average of 60 tons of electrolic copper and 39 Kgs. of gold a month.

Mineral exports occupied approximately 70% of the total export picture during 1955.

Since Korea can produce about one-third of the total tungsten output of the free nations, Korean tungsten exportation can influence the general trend of the world tung-

sten market. At the present time, tungsten exports occupy approximately 50 to 60% of the total exports of Korea and consequently play an important role in the acquisition of foreign exchange.

After the termination of the "Tungsten Agreement between the Republic of Korea and the United States," the Government prohibited the exportation of tungsten in order to observe the trend of the world tungsten market. But the Government finally established a policy to resume the export of tungsten in November, 1955. However, domestic tungsten production has been restricted to about one-third of full capacity in order to control the price at the world market. The sum earned from tungsten exports to date amounts to \$7,197,190, representing 3,772 tons in quantity.

A new policy has been established also to allow private tungsten mines to engage freely in foreign trade, while the quasi-Governmental Korean Tungsten Mining Corporation continues to export its own production directly to the international market.

Industrial Production

The cotton textile industry continued to expand during 1955. The following equipment and productive capacities were secured as of the end of December, 1955: in the spinning field, 370,632 spindles with a monthly productive capacity of 8,246,200 pounds of cotton, and in the weaving field, 6,742 looms with an average monthly output of 250,300 pils. With this capacity, the cotton textile industry currently is meeting all civilian and military demands sufficiently, and it is expected that the entire industry will be so expanded by mid-1956 that Korea will be in a position to begin a considerable export program of cotton goods.

The construction of the new wool textile mills is well under way. During 1955, the Je-Il Wool Spinning Company, one of the three wool spinning mills newly constructed, installed 4,896 spindles; in early 1956 it began full production.

The miscellaneous textile industries, including hosiery, dyeing, and finishing, have also made remarkable progress through the installation and replacement by new equipment.

In order to meet the heavy domestic requirements for nails which are so needed for all phases of reconstruction and rehabilitation, 6,000 tons of wire rods were imported by UNKRA and ICA funds. These rods were then manufactured into 4,854 tons of finished nails at some 50 existing nail manufacturing facilities throughout the country.

By importing the necessary raw materials and by concentrating upon improvement of machine tools, the automobile parts manufacturing industry was able to produce during the past year 23,400 units of 55 different types of automotive parts. For the first time, civilian needs could begin to be satisfied as well as military demands. An ICA fund of \$200,000 was allocated for the extension of a parts-manufacturing factory and the Letter of Credit was granted

during the closing days of 1955. The UNKRA project for the construction of an auto-repair shop progressed satisfactorily; this shop, after construction has been completed, will be capable of turning out 3,000 completely overhauled vehicles per year.

Great emphasis was put upon the bicycle manufacturing industry in order to improve local transportation and to save as much oil and oil products as possible, since Korea does not produce any oil. A remarkable total of 39,650 new bicycles were produced by the industry in 1955. Furthermore, the ICA construction project of an auto-tricycle manufacturing plant is under way. It is intended that this plant shall be able to produce 3,600 auto-tricycles a year, an amount sufficient to meet the annual domestic requirements. The remarkable achievements made on the rehabilitation program of the textile manufacturing industry have, in turn, encouraged the manufacturing of textile machine parts. Last year, 3,600 tons of 25 different kinds of textile machinery parts, such as bobbins and shuttles, were produced.

In order to increase the production of food, considerable emphasis was placed upon the domestic manufacture of prime engines. With an appropriate supply of raw materials, 8,940 complete units of prime engines and pumps—used chiefly for irrigation purposes—were produced last year.

There are now more than twenty factories devoted to the production of precision machinery and tools. Last year, these factories produced 350 tons of 21 different precision items—such as ball-bearings—to begin to satisfy the urgent domestic requirements. An ICA project for the extension of the existing ball-bearing plant has been approved and the Letter of Credit was opened at the close of the year. This plant will produce 50,000 gross of steel balls per year after the existing facilities have been extended.

The cutting-tools manufacturing plant planned by the Ministry and the ICA should produce 300 tons of cutting-tools per year when completed; construction of this plant began in early 1956.

The following list of principal products illustrates the progress made in 1955 over the 1954 totals:

Item	Unit	1954 Output	1955 Output	Rat'g
Cotton yarn	lbs.	45,909,000	58,584,863	126 %
Cotton cloth	Fl	2,878,000	3,924,000	105
Woolen textile	yd.	8,977,969	4,153,293	113
Shirts	pc.	18,630,950	32,442,980	179
Ceramics	pc.	32,400,000	34,270,000	105
Hydrochloric Acid	lb./T	2,076	2,360	115
Bicycles	ea.	22,000	39,650	148
Glassware	M/T	22,960	33,660	150
Paint	M/T	3,000	3,670	120
Cement	M/T	45,418	55,141	113
Paper	M/T	6,986	6,913	118
Plastics	M/T	1,480	2,234	158
Sugar	M/T	17,774	38,524	210
Nails	M/T	5,000	6,000	113
Motors	ea.	4,800	8,940	185
Bicycle parts	ea.	20,000	23,400	113

ECONOMIC LETTER FROM MANILA

Summary of the administrations' fiscal policy: 1. The Government will continue to maintain a balanced budget and will make every effort to obtain revenues sufficient to meet planned obligations or reduce commitments accordingly. No resort to the practice in the past of deficit financing for current operations. 2. A policy of judicious public borrowing without impairing monetary stability. Such borrowings will be used exclusively for income-creating or other productive capital expenditures to finance priority ranking

projects contributing to industrial and agricultural production. Reduce the use of the national credit as rapidly as development needs are met or as other resources become available. 3. Test every proposed expenditure of public funds against the touchstone of national interest. 4. Tax policy will be geared to the essential financial requirements of government for general operations and development purposes. The tax structure must emphasize the progressive factor of ability to pay without impairing legitimate busi-

ness incentives. 5. The public debt will not exceed a level consistent with economic growth. Keep amortization and interest payments against the public debt on schedule and establish the necessary sinking funds for their ultimate retirement. 6. Tariffs will be employed as a means of protection to domestic producers where such measures appear sound and in the national interest. Use tariffs primarily as a source of revenue; avoid tendency to isolate the economy behind a tariff wall.

Philippine trade with the Netherlands has been growing over the past five years and the balance has continued in favor of the Philippines. Exports to the Netherlands, consisting largely of copra, amounted to P27,000,000 in 1952, P35,000,000 in 1953, P66,000,000 in 1954, P59,000,000 in 1955, and P64,000,000 for first ten months of 1956. Philippine imports from the Netherlands rose from P7,000,000 in 1952 to P13,000,000 in the first ten months of last year. Most of these imports have consisted of dairy and meat products and eggs, although lately the Philippines has been buying Dutch machinery, basic metals, fertilizers and chemicals, paints, etc.

The National Economic Council recommended a bond issue totaling P10.3 million: P1 million for the construction of the Philippine-American nuclear research building; P1.2 million for the Manila flood control project; and P8.1 million for airport projects (P2 million of the airport funds would be used for the partial construction of the terminal apron of the Manila International Airport, making provision for the use of jet plane operations). The NEC also approved proposals for establishment of Universal Deep Sea Fishing Corporation and Marcel Packing Corporation. Both firms are 100 per cent Filipino-owned. Universal Deep Sea Fishing Corporation will exploit Philippine marine resources, while Marcel Packing Corporation will be devoted to fish canning and to the production of fish meal.

The Singer Sewing Machine Co. will begin construction of a modern woodworking plant in the Manila area for the production of sewing machine tables and cabinets. The new plant will mean a saving of dollar exchange to the Philippines, since at present complete machines are being shipped to the Philippines but hereafter only the heads will be sent there. The 40,000 square-foot cabinet factory will initially employ 125 workers but will provide employment for several times that number in the lumber and veneer industries. Woodworking machinery will be shipped to Manila for installation in the new plant, which will supply the Philippine market and other Asian areas as well.

Aeronautical engineers began blueprinting a network of trunkline airports needed for commercial jet operations. The work will be the first step in meeting the plans of major airlines to service the Philippines with Boeing and Douglas jets and Vickers turbo-prop planes. The airport expansion program will include construction of new landing facilities as well as the improvement of existing ones. Over P8,000,000 will be spent on the project, P2,000,000 of which will be used at the Manila International Airport.

Bids for the construction of the Binga hydroelectric project in Mountain Province were opened by the National Power Corporation. Lowest bidder—and probable recipient of the contract—was the Philippine Engineers' Syndicate, Inc., headed by Juan J. Carlos and composed of Filipino contractors. The syndicate's offer was P29,777,755. Next lowest bids were by Utah Engineering at P33,000,000 and the Atkinson Co. at P39,000,000. In all, five American, one Japanese and two Filipino firms bid on the project. The entire job of constructing the Binga project is expected to cost around P105,000,000.

A new mining corporation, Northern Luzon Mining and Industrial, Inc., with an authorized capital of P100,000, has been formed to explore, develop and exploit two adjoining groups of mineral claims in Buguey, Cagayan, which contain an estimated 20,000 tons of manganese. Analyses by the Bureau of Mines and Adamson University indicate that the ore contains an average of 50 to 56.76% manganese and 0.65% iron. The firm has a standing order for 500 tons of the ore from the Foote Mineral Co. of Philadelphia, one of the largest manufacturers of electrolytic manganese in the world.

Bulk concentrate production in December of Paracale Gumaus Consolidated Mining Co. yielded 614.280 ounces of gold, 1,307.778 ounces of silver, 17,011 pounds of lead and 2,174 pounds of copper, valued at P69,849.47 (based on gold at P100 per ounce). Ore treated was 4,305 tons, as against 4,239 tons in November. A decline in metal yield was attributed to lower grade ores in the development projects and to repair work.

A plant for the manufacture of copper wiring cables and other allied products will be set up by Phelps Dodge International Corp. of New York. The investment project is jointly with A. Soriano y Cia and Atlas Consolidated and Mining Co. A new corporation capitalized at \$5 million was formed by the three firms. Atlas Consolidated will furnish the raw materials to be used in the manufacture of the wiring. The new plant will be erected in Mandaluyong, Rizal. The new factory—the first of its kind in the Philippines—is expected to be completed in May.

The population of the Philippines as of July 1, 1956 is estimated at 22,265,300. This compares with 19,508,700, the estimated population in 1949.

The new galvanizing plant of Gonzalo Puyat and Sons will supply all local requirements for galvanized iron sheets when it gets into full operation. The plant has contributed to bringing the local cost of sheets down from P6.50 to P6.75 per unit, as against a previous P7.30 to P7.80. While the plant at present is saving the country only a moderate amount of foreign exchange on this item, this saving is expected to rise to around 78% when the Philippines begins producing steel sheet, zinc and the other materials required in the operation. At present these materials must be procured from Japan. Expansion plans of the Puyat company call for the establishment of a rolling mill to produce black sheets from imported sheet bars and eventually to use bars produced in the Philippines.

TRANSPORT IN INDONESIA

Road traffic

The road system suffered serious damages during the year April 1955 to March 1956, from heavy rainfall in the second half year 1955. Although roads are being improved and repaired, the condition of the road system in Sumatra, Kalimantan and Sulawesi as well as in Djawa is far from satisfactory. Because of shortage of materials and lack of

finance the implementation of plans for the construction of new roads makes little headway. This state of affairs has an unfavourable impact on the economic developments of the regions outside Djawa, where transport of produce is dependent for the larger part on road traffic. It was announced that in 1956 special attention will be paid by the Government to repairs and improvement of the road system, and priority will be given to roads in the regions outside

Djawa. For this purpose Rp 75 million has been allocated. Furthermore, capital will be made available for promoting the production of import-replacing materials for road construction. By liberalising imports of motor tyres and motor spare parts, as well as by lowering the retail price of gasoline the difficulties encountered by road traffic were somewhat relieved.

Railways

The development of both freight and passenger traffic served by Djawatan Kereta Api (State Railways) and Deli Spoorweg Company (only private railway in Indonesia) was favourable with higher traffic and revenue.

Shipping

Despite an expansion in 1955 in the tonnage of national shipping companies, including state-owned enterprises (present displacement is estimated at 60,000 B.R.T.) today's conditions give no reason for satisfaction. A deterioration of operating results has resulted. Lack of capital, inadequate quays and repair facilities, together with an insufficient number of trained personnel are the principal reasons for this unsatisfactory state of affairs. Other obstructing factors are the lack of cooperation between the enterprises themselves and the absence of a well co-ordinating transport policy. About 30% of the total number of ships are lying idle.

An association of national shipping companies, the Persatuan Perusahaan Pelajaran Seluruh Indonesia (Perpepsi), was formed during the first half year of 1955, with a view to promoting national shipping. Perpepsi intends to secure all interinsular and coastal shipping for Indonesian nationals within the shortest possible space of time. For this purpose the association has urged the Government to pursue a well-defined shipping policy, and to grant to national shipping enterprises all facilities which will advance their progress. It has been decided that in principle the carrying of all Government goods, such as copra, salt, coal, sugar etc., will be entrusted to national shipping companies. Plans have been drafted for the establishing of a mercantile shipping bank, so as to render financial assistance to national enterprises. The setting-up of a mercantile marine council is under consideration, in order to safeguard and co-ordinate the interests of the associated companies.

The Government abolished the "Licensing Regulation for Wharfage and Warehouse Companies 1935" which was replaced by the "Peraturan mengenai Perusahaan muatan Kapal laut", which decrees that licences of wharfage and warehouse companies must be renewed. The first and foremost condition for obtaining a new licence is that the applicant must be an Indonesian national. In such cases where the applicant is a body corporate, all shares must be

in the hands of Indonesian citizens. With regard to enterprises working under old licences, the new regulation took effect as from 15th December 1955.

Constant attention is paid to the rehabilitation and improvement of various harbours. A contract was signed with a foreign company for the construction and improvement of various harbour works. Short term plans have been drafted to construct a harbour for ocean-going vessels near Bandjermasin, and to make Semarang an ocean port by deepening and enlarging the harbour and by constructing a quay. Outlays for these projects are estimated at Rp 30 million and Rp 20 million respectively.

The fleet of the K.P.M. Koninklijke Paketvaart Maatschappij) comprises about one hundred ships, with a total displacement of 190,000 tons. Approximately 10% of this tonnage was in operation on ocean routes. Interinsular passenger fares were raised by 50%, interinsular freight charges were increased by 10%, on account of higher operating costs. International tariffs, including passenger fares, were also higher.

Airways

The satisfying trend of Garuda Indonesian Airways operations, already noticeable in previous years, gained strength during 1955. Freight carried was higher by 12% in 1955, against a rise of 3% in 1954, while the number of passengers climbed by 30% (1954: 4%). The fact that the total mileage covered extended in 1955 by 8% only—in 1954 the expansion was 19%—finds its explanation in the use of aircraft with larger loading capacity as well as a better utilisation of available space. Flight frequency on various air routes is still on the increase, and proposals are under consideration to include more towns in the airline system. At present G.I.A. flies between 31 places in Indonesia, operating 44 aircraft, i.e. some 30 modern Convoirs and Herons and 14 older Dakotas. Overseas services are maintained by G.I.A. to Singapore, Bangkok and Manila. The scheme to extend the Bangkok flight to Hongkong could not be realised on account of the conditions laid down by the British authorities. At the end of 1955 the airways system served by G.I.A. totalled about 33,000 kilometres, against 27,000 kilometres at the end of the preceding year.

Great attention is paid to the training of Indonesian pilots and aircraft technicians. In this, assistance is rendered to the Government by the International Civil Aviation Organisation. Under its auspices a training centre was established in Tjurug. In this centre not only airline pilots are trained, but also aircraft technicians, flight engineers, wireless operators, air traffic controllers and airport operation masters. It is hoped that by 1960 G.I.A. will be less dependent on foreign personnel.

HONGKONG PROBLEMS

At the budget debate last month Unofficial (government-appointed) Members of Legislative Council outlined, as is traditionally expected, some of the problems of Hongkong. As regards the budget for 1957/58 all were agreed that it is a 'good budget' and the public, usually disinterested in public affairs, seems to have shared this favourable opinion. Various subjects as outlined by L.C. Members are summarised below:

Hospitals & Medical Service: Tuberculosis continues to be greatest health problem. Hongkong has one of the highest infection rates in the world as well as exceptionally high death rate among children. Clinics are overcrowded and hospitals. Precedents already exist. In the coming year

of doubtful character. It is the prerogative of the sick to demand and to receive adequate medical care, and Government has an obligation to ensure that no person, no matter how poor, is deprived of proper attention. The Medical Insurance Scheme, which was approved in principle, has not yet been implemented. Government should view the needs of the Colony however as a whole, and though hospitals rank high in priority, there are other problems which appear just as pressing. Planning for the next four years, though giving fair consideration to hospital accommodation, still is far short of requirements. Government should encourage voluntary agencies to put up hospitals. Precedents already exist. In the coming year

the sum of \$2 m. will be available to the Canossian Mission for rebuilding their 133-bed hospital. Voluntary societies have already shown they can put up hospitals more cheaply than Government and run them more economically and as efficiently.

Education: There is a large number of unregistered schools because they do not conform to standards. A number of them are undoubtedly serving a useful purpose of supplying education for thousands who would otherwise be uncatered for but many do greater harm than good to their students. Such schools should not be tolerated. They should be encouraged to overcome deficiencies and to improve their standards. Some sort of official recognition could be granted them in the nature of a "sub-standard" grading when they attain a certain level of improvement. In primary school expansion, one of its aims should be the making of all unregistered schools redundant as soon as possible.

Refugees: Our problem has been presented in quarters where it was calculated the most good would be done and perhaps prompted by recent events in Eastern Europe, consciences have been stirred and though somewhat late, some consideration seems to be coming our way. Government will lose no opportunity to press home its claims and to shift the financial burden on to shoulders more able to carry the weight but the acceptance of any help we might obtain from international sources should in no way impair our own authority. The 1957/58 budget for resettlement provides for \$20 million which is equal to the Revenue for 1923.

Housing: Due to absurdly low rent of controlled premises, rates payable by tenants of these premises are about three times less than those payable by tenants of new buildings. From the point of taxation, is this fair? More low-rental houses are needed. Rents for HK Housing Society projects (minimum \$61 per flat per month) and for HK Housing Authority houses (excluding rates and water at \$60 to \$120 per flat per month) are still too high for those who earn \$200 to \$300 a month. With the growing development of old houses into multi-storey structures, the immediate and future demands of the low income group, especially of those who have been moved out of old buildings, will become more intense for these types of low rental accommodations.

Land: We have to look to the New Territories in the future for land. But even there sites are not to be had for the asking, nor must they be obtained at the expense of agricultural land. They must be developed either by reclamation, or by new roads opening up hitherto inaccessible areas. There are several large bays suitable for reclamation, and with the cut-and-fill method, hills can be levelled to provide additional sites. We can cut off hill tops and fill hollows to make several extensive plateaus. A resolution was passed by Legislative Council on March 13, 1924 accepting the award of Sir John Oakley for the purchase of a large extent of Military Lands but nothing has been done. The UK's present policy of large-scale retrenchment for the Services makes this an appropriate moment for tackling this matter. Additional land is vital to the expansion and development of the Colony. It is imperative for a decision to be reached in the matter of Military Lands.

Population: There exists a high death rate among children. The Social Welfare Office is the logical department to advise and educate married couples on birth control.

Traffic: With the increase in "unit density" in Central District and particularly in the area between Murray Road and Central Market, one can foresee the danger that crowds coming out of the new tall structures such as Jardine House with its 16 floors, Whiteaway's 16 floors, Shell House's 16 floors and HK Hotel's 19 floors, will create at peak office

hours. The problem related to the "bottleneck" at the Garden Road/Murray Road/Queen's Road junction will become more serious in the near future. Last year an additional 4,018 vehicles were licensed bringing the total number of vehicles to 29,004. This figure excludes tram-cars and Military vehicles and represent 100% increase within six years. The average speed of vehicles on these roads at peak periods is 2 miles per hour and 4,000 vehicles per hour pass through this bottleneck. The situation is going to become progressively worse. Now is the time to consider improvements. Unless we can acquire Military and Naval land to widen these roads, there appears to be no alternative but to build overhead 'fly-over' and elevated roads.

Tourism: Last June the Working Committee on Tourism recommended that a Tourist Association be established but nothing has been done. The importance to our economy of the tourist trade is so great that active and immediate steps are demanded for promoting this business. In the Pacific area, tourist travel during past 3 years has increased: 22% in 1954; 25% in 1955; 18% in 1956 over preceding years. Estimates for years ahead set the average annual increase at 20%. A further development of the industry as affecting HK is the increase in regional traffic with neighbouring countries. These visitors frequently make one or more trips yearly for shopping purposes with consequent benefit to HK. Another significant pointer to increasing interest in the Pacific is the plan of shipping companies to reinstate pre-war cruises. The days for our depending upon a steady entrepot trade are gone forever and with the necessity before us of caring permanently for the large and increasing population, it is more than foolish to neglect the opportunities of tourism. In Hawaii, a dozen new hotels have recently been built and plans are in blue-print for several more to keep up with the pace of tourist trade. HK must also have more hotels. Danger exists that tourists, particularly in organised groups, by-pass HK for lack of adequate accommodation here. Our present need is 2,000 hotel beds (4 hotels similar in size to Peninsula Hotel). The difficulties in attracting private capital to invest in the hotel business are recognised as greater returns can be obtained over a shorter period of time in other investment opportunities. Government should be prepared to help by lending money at a low interest rate and by making suitable land available.

Finance: We have less than 2.5 million dollars invested in HK (in our own loan) as against over 400 million in Sterling investments and nearly 22.5 million dollars in Malaya. Why? Revenue was \$20 million in 1923 but Revenue for 1957/58 estimated at \$500 million—25 times in 24 years. Colossal!

Town Planning: In many cities a system of zoning applies, and there is a fixed maximum for unit density for any particular zone. The time has come, in fact long overdue, when we should apply this system to HK. If Government could not get the necessary experts for town-planning, we should look to private firms experienced in development planning. It may be more expensive but if there is a contract for a specific purpose there will be savings in pensions, allowances, etc. and certainly in time.

Chinese business men's opinion on some local problems is being summarised below:

Hospitals & Medical Service: Nursing staff of government hospitals should be more patient to patients. Doctors are charging too much. Some doctors do not administer effective cures promptly; they drag to charge more. The shortage of hospital beds might partially be relieved if treatment is more attentive so that patients recover in less time. If private doctors charged less, more patients would call on them thus lessening pressure on government free clinics. The close-shop policy of prohibiting doctors from other than

HONGKONG NOTES AND REPORTS

HK Exporters' Association: Mr. M. N. Rakusen of Gilman & Company was elected Chairman at the Association's third annual meeting. Mr. H. Owen-Hughes, 1956/57 Chairman, reported textile was HK's biggest export industry. Mr. C. D. Silas speaking of the Lancashire textile delegation which came here in January and proposed HK should agree to a ceiling on the volume of textile exports to UK, said "we could not see our way to meet the wishes of our friends" because HK had no large domestic market as India and Pakistan and was dependent on exports. Furthermore, a reduction of exports to UK could produce only temporary relief and would not compensate for the severe and continuing decline of UK's textile exports. Mr. Owen-Hughes added it seemed strange that with our modest number of spindles, less than 2% of those in Lancashire, we should be invited to put a ceiling to our exports. Commenting on other export industries, he stressed that the Association must continue to raise the standards of knitting and ready-made clothing factories in HK. One member alleged that many local manufacturers knew nothing of the Association; some did not think highly of it and others regarded the Association as 'semi-official policemen to investigate

malpractices and to nail down offenders.' In reply, Mr. Owen-Hughes said the Association was formed to promote and protect the interests of the export trade. The Association and the Manufacturers' Union worked on friendly terms and enjoyed cordial relationship with the Department of Commerce and Industry. The 3-year old Association has done much in the promotion of HK exports; it will be a great step forward if the Association, in cooperation with Manufacturers' Union and other organizations, expedite the establishment of an industrial bank to finance and strengthen local industries.

HK Housing Society Projects: The Society, a non-profit making organisation, secured approval to build on Shu Kuk Street off King's Road, 616 more flats; another project for 408 flats is under consideration by Government. The Society was approached by firms seeking to assist their staff in obtaining low-rental accommodation. In the Shu Kuk Street project the Society is inviting such employers to make interest-free loans to the Society at \$8,500 per flat. Rentals will be \$95 per month including rates for a 7-person flat with balcony and \$75 without balcony.

Redevelopment Projects: An old house at 25 Des Voeux Road Central will be replaced by a 14-storey building. In North Point, a block of 4-storey houses between Empire Building and Coronet House will be demolished to make room for a tall building. This block (built in 1949) is still in very good condition but the landlord figures that it will be more profitable to redevelop the site than collecting rental from 30 tenants now occupying the premises. The Hongkong Bank may redevelop the property at 24 and 26 Argyle Street in Kowloon to erect a 10-storey building costing \$400,000 on the site. Redevelopment plans recently approved by Government include projects on following sites: 20 D'Agular Street; 1 to 4 Yan Shau Lane; 197, 199, 201, 203, 205, 324 Des Voeux Road West; 24, 26, 28 Nam Kok Road; 163, 164 Connaught Road West; 14a, 14b San Tsun in Tai Hang; 95a, 95b, 95c Austin Road; 213, 215, 217, 219 Nathan Road. **Real Estate Boom:** The Registrar General reports boom conditions in the property market. Land value continued to rise. Large blocks of flats sprang up everywhere. The number of transactions during 1955/56 soared to record of 12,041—2,214 or 22% more than previous record of 9,827. Among large transactions were the old HK Hotel site in Pedder Street for \$11 million (stamp duty \$550,000); the old Jardine building at 18 Des Voeux Road Central for \$6.1 m (stamp duty \$305,000); the Butterfield & Swire building at 1 Connaught Road Central for \$8.48 m.; and a piece of land in Hunghom (property of HK & Whampoa Dock) for \$5.775 million.

Marriages: 4,953 couples registered their marriages between April 1955 and March 1956; 33% more than 1954/55. Of the 4,953 registrations, 4,598 were between Chinese. **Companies Incorporated:** During 1955/56, 284 companies with a total nominal capital of \$273 million were incorporated here bringing the total number of local companies to 2,618 on March 31, 1956. 38 foreign corporations were registered with Government during the year; total on March 31, 1956 was 353. 469 companies were dissolved and at year end, 111 companies were in the course of being wound up.

Kowloon Motor Bus Company's \$6 million expansion program will provide Kowloon with 100 new buses from UK this year. The first shipment of 10 single-deck buses will reach here in May. The Company's present fleet of 360 buses includes 240 double deckers.

Rice Imports: Imports of rice in February totalled 26,247 tons. Thailand shipped here 19,356 tons, China 5,714, Cambodia 877, North Vietnam 250 and Australia 50 tons. Local sales totalled 18,399 tons. Bangkok prices dropped by 5s per ton during the month; local market showed a corresponding decline. The arrival of larger supplies of newcrop rice will keep prices here at low levels. **Frozen Meat and Coal:** 1,090 tons of frozen meat were imported in February; local sales totalled 606 tons. Imports of coal

British (and reciprocal European) medical colleges to practice in HK is hampering medical progress.

Education: Generally, it is too expensive. In addition to officially approved tuition fees, there are then a library subscription, physical training expenses etc. There are too many holidays. Most schools provide only half-day education. Students are often required to buy raffle tickets, to help the poor with 'voluntary' contributions, to sell flowers for charity organizations—which tends to impair educational advance.

Housing: Rental for new buildings has come down but still is too high; for old buildings it is more reasonable. Rent payment absorbs too high a percentage of salaries.

Refugees, Population, Traffic, Town-Planning: If HK is to become a self-governing member of the Commonwealth more investment capital will come here. Very many of the so-called 'refugees' will not plan to leave here but will stay for good. One will be able then to look 20 years ahead. Town-planning will then be more realistic. A practicable development planning would presuppose: (1) political security; (2) control of population; (3) long-term town planning (housing projects, land reclamation, communications network and traffic control, public utilities, hospitals, schools, etc.).

The New Territories' lease is to expire in a little over 40 years. Today it appears that majority of inhabitants, including the rural population in N.T., favour continuation of present system of administration. However the political situation in China today may not last for many decades and people's attitudes may change. Hongkong is not another Penang; our territory is adjacent to China's: in fact, the N.T. is Chinese territory but British-administered, and even in Kowloon there is today a Chinese administrative enclave (the "walled city") which is being respected as such by our Courts. Certainly the political future of Hongkong is a disturbing thought and a permanent subject of divination. At any rate, population must be limited to bearable proportions, and not much in excess of the present 3 million. But by last year's estimates, about 180,000 Chinese from the Mainland entered and settled here, and the natural increase in people here is expected to be close to 100,000 in this year of grace. Accommodation needs can be guessed by looking at the teeming millions, the shanty towns all over the place, the congestion of traffic (especially public transport) and the incredible quantities of kids wherever one steps.

HONGKONG'S PUBLIC FINANCE IN 1955/56

The following figures show the actual revenue and expenditure totals compared with the approved estimates for the year and with the corresponding figures for the previous year in brackets:—

	Estimate		Actual	
Revenue	413,681,000	(389,480,000)	454,720,189	(434,452,321)
Expenditure	449,045,950	(388,262,050)	402,463,642	(373,343,609)
Deficit	35,364,950			
Surplus		(1,217,950)	52,256,547	(61,108,712)
Less depreciation on investments			34,612,164	(9,753,544)
Final Surplus for the year			17,644,383	(51,355,168)

The actual revenue exceeded the estimates by \$41,039,189 and the actual expenditure fell short of the estimate by \$46,582,308. The gross surplus of revenue over expenditure amounted to \$52,256,547, but it was largely offset by the unparalleled drop in the value of investments. The Bank of England Rate which was raised from 3% to 3½% on 27th January, 1955, and to 4½% on 24th February, 1955 rose to 5½% on 16th February, 1956: as a result, prices of gilt-edged stocks continued to fall and in consequence the Colony's investments of its surplus funds suffered the heavy depreciation of \$34,612,164 when revalued at the middle market prices on the 29th March, 1956. After allowing for this depreciation, the final net surplus for the year was \$17,644,383 which, added to the General Revenue Balance standing in credit at \$293,791,762 on 1st April, 1955 brought the General Revenue Balance up to \$311,436,145 at the end of the year.

Revenue: The largest individual excess over the estimate was that under Duties, with an excess of \$11,180,789, of which import duty on hydrocarbon oils (\$4,551,407) and on tobacco (\$3,356,960) provided the major share. Rates for Hongkong and Kowloon with increases of \$3,393,079 and \$5,226,728 respectively are an indication of the increased

under the subhead Stamp Duties with a surplus over the estimate of \$6,895,084, due mainly to the continued phenomenal activity in the property market which brought in

exceptionally high collections of duty on assignments. Together with losses and gains under other subheads, there was an overall decrease of \$4,454,766 under Internal Revenue. Excesses over the estimates, varying between \$4—\$6 million were registered under the following Heads—Licences, Fines & Forfeitures, with a big increase of \$2,924,481 under the subhead Motor Vehicles due to the increase in the number of vehicles and to revision of the method of assessment of the annual licence fees for private motor vehicles; Fees of Court or Office with an all round increase; Revenue from Land, Rents, etc., with a surplus of \$4,686,398 under the subhead Interest, derived from increased sterling investments and from the higher interest rates on surplus funds deposited locally and in the United Kingdom; Miscellaneous Receipts profited by increased Royalty payments amounting to \$3,224,426 and the addition of \$1,007,201 in miscellaneous receipts; Land Sales, chiefly from sales of land in Kowloon, New Kowloon and New Territories with increases over the estimates amounting to \$3,772,251, \$1,019,261 and \$823,394 respectively, off-setting a decrease of \$940,974 for Hongkong. Post Office and Kowloon Canton Railway revenues exceeded the estimates by the amounts of \$2,321,773 and \$1,017,150 respectively. Details of the collections under the main heads of revenue are shown hereunder:

	Estimate \$	Actual \$	Actual 1954/55 \$
1. Duties	74,080,000	85,260,789	(78,895,157)
2. Rates	44,000,000	49,769,817	(39,651,662)
3. Internal Revenue	158,500,000	154,045,234	(167,918,224)
4. Licences, Fines & Forfeitures	13,982,000	18,389,068	(14,886,642)
5. Fees of Court or Office	28,138,000	33,041,660	(37,382,810)
6. Water Revenue	8,107,000	9,376,970	(7,820,552)
7. Post Office	22,149,000	24,470,773	(22,654,032)
8. Kowloon Canton Railway	4,575,000	5,592,150	(4,675,784)
9. Revenue from Lands, Rents, etc.	25,735,000	31,445,353	(25,288,125)
10. Miscellaneous Receipts	15,827,000	20,936,550	(20,659,313)
11. Land Sales	9,005,000	13,673,932	(11,919,723)
12. Colonial Development & Welfare Grants	1,583,000	681,990	(1,403,080)
13. Loans from United Kingdom Government	8,000,000	8,035,903	(1,291,217)
	413,681,000	454,720,189	(434,452,321)

efficiency in collection that followed the strengthening of the Rating and Valuation Department, and also of increased building development. The accumulation of arrears of Earnings and Profits Tax has now been largely worked off and this position is reflected by the decrease of \$12,347,449 in the year's collection under that subhead; the decrease however was offset to a great extent by increased revenue

amounted to 12,298 tons: 11,011 from China and 1,287 from Japan. **Automobiles:** 9 saloon cars (3 German, 2 Canadian, 1 French and 3 British) were exported to China in February.

The steady annual increase in the Colony's revenues since 1946 can be seen from the following figures:—

Revenue 1946/47 (11 months)	\$ 82,141,556
" 1947/48	164,298,310
" 1948/49	194,933,955
" 1949/50	264,250,543
" 1950/51	291,728,416
" 1951/52	308,564,248
" 1952/53	384,590,446
" 1953/54	396,881,967
" 1954/55	434,452,321
" 1955/56	454,720,189

Expenditure: The total expenditure for the year was \$402,463,642 and fell short of the estimate by \$46,582,308. The total savings were \$67,039,777 but this was partially offset by excesses under others of \$20,457,469. Expenditure under Public Works Non-Recurrent again fell a good way short of the estimate and produced the largest individual saving of \$26,007,081. This was followed in size by a saving of \$9,667,573 under Subventions, almost entirely under that part voted in aid of educational institutions and of one charitable institution because large sums in some cases were not paid when building projects were deferred. There were nine other large savings under departmental heads of expenditure totalling \$24,916,259. Defence \$3,927,776; Education \$2,094,083; Marine Department \$3,398,953; Medical Department \$3,276,247; Police Force \$4,506,573; Prisons \$1,746,301; Public Works \$2,703,488; Resettlement \$1,613,115; Urban Services and Urban Council \$1,649,723. In addition a saving of \$2,331,701 was made under Public Works Recurrent. The largest excess over the provision was under Miscellaneous Services which amounted to \$16,299,543. This excess was mainly accounted for by an additional contribution of \$10,162,005 to the Development Fund, the re-imbursement of \$3,437,995 to the Development Fund of expenditure incurred on the Hongkong Stadium and the payment of \$1,054,477 balance due in arrears of salary arising from the 1953 salaries revision. Other substantial excesses were Kowloon Canton Railway \$881,209, mainly accounted for by a re-vote of funds to meet the cost of rolling stock ordered in previous years; Post Office \$991,245 chiefly on account of increased postal traffic; Quartering Authority \$706,848, because of additional expenditure on non-departmental accommodation; Stores Department \$1,480,693 on increased purchases of stores and deliveries of sand.

Loans: The total of the loans outstanding at the beginning of the year was \$12,502,989. New loans of \$500,000 to the Tung Wah and Associated Hospitals and \$181,843 to the Good Shepherd Sisters plus further instalments of approved loans amounting to \$170,675 totalled \$852,518. Repayments totalled \$1,241,939, which brought the balance outstanding at the end of the year to \$12,113,568.

Development Fund: During the year expenditure on local development projects amounted to \$16,531,208; allocated as follows:—

Loans to Housing Authority	\$1,806,391
Loans to Hongkong Housing Society	4,250,000
Loans to Non-Expatriate Government Officers' Housing Schemes	7,469,484
Kun Tong Reclamation Stages I and II	1,863,836
Sports Stadium	1,141,497

Repayments of loans during the year amounted to \$107,231 but this figure does not include re-imbursement of expenditure on the Sports Stadium. The balance of loans outstanding at the end of the year was \$16,649,552. Development Fund revenue for the year was \$32,481,117 which included \$19,199,273 transferred from the Trading Reserve

Fund and \$10,262,005 appropriated from general revenue. Against this there was a net depreciation of \$4,332,287 in the value of the Fund's investments when they were re-valued at the middle market prices on the 29th March, 1956. At the 31st March, 1956, the fund stood as follows:—

Liquid funds available	\$108,972,869
Total allocation for local development projects	\$89,882,563
Less expenditure	22,124,708
Allocated, but unspent	67,757,855
Uncommitted	\$ 41,215,014

Currency Funds: The Hongkong Government issues only \$1 notes, subsidiary coins of 50 cents, 10 cents and 5 cents denominations and 1 cent notes. \$1 Note Security Fund suffered a net depreciation of \$1,372,791 on revaluation of investments at middle market prices on 29th March, 1956. The accumulated deficit of \$1,337,708 is a contingent liability. With the exception of the Subsidiary Note Security Fund established by the Subsidiary Currency Notes Ordinance No. 21 of 1941, "Subsidiary Note and Coinage Funds" have no statutory authority, but have been set up pending legislation to put them on a proper basis. All interest and dividends received on moneys or deposits or investments made on behalf of these Funds are paid to the general revenue of the Colony which in turn meets all expenses incurred. Likewise, appreciation or depreciation on revaluation of investments is for account of surplus balances and is included in the Colony's balance sheet. Currency issues of higher denominations are made by the Hongkong and Shanghai Banking Corporation, the Chartered Bank, and the Mercantile Bank of India, Ltd.

Public Debt: The Colony's public debt increased by \$6,805,800 to \$63,258,120. Of this \$53,421,000 is the unredeemed total of three loans raised by the Hongkong Government, namely the 3½% Dollar Loan, 1934 and 1940 issue and the 3½% Rehabilitation Loan, 1947/48. The sinking fund for the redemption of the Rehabilitation Loan sustained a net depreciation of \$2,058,742 on revaluation of investments at middle market prices, and stood at \$13,098,541 at the end of the year. The amount outstanding on the loan was \$46,666,000; the difference between this sum and the original issue of \$50,000,000 represents cash purchases of the loan when favourable opportunities occurred. The two issues of the 3½% Dollar Loan are being redeemed by annual drawings of 1/25th of the original issues and the sums outstanding at the end of the year were \$2,040,000 and \$4,715,000 respectively. The other two loans are moneys advanced by the United Kingdom Government. One, of \$9,333,120 is the amount received out of \$48,000,000 that is to be lent free of interest towards the cost of the Development of Kai Tak Airport; the other, of \$504,000, out of \$800,000 to be lent free of interest under the Colonial Development and Welfare Scheme No. D.1967 has been issued to the extent of \$490,066 in loans to fishermen for the mechanization of fishing boats.

HONGKONG COMPANY MEETINGS

HK TELEPHONE CO. LTD.

The meeting was held on March 13. The Chairman, Mr. H. R. M. Cleland, said inter alia: Additions to fixed assets during the year exceeded \$12,800,000 of which over \$10,900,000 were in respect of general plant. The full result of these plant additions will not be shown, however, until the end of 1957 as they relate, in large measure, to

installations which are still in progress. Equipment brought into service during the year comprised an extension to the central exchange of 2,000 lines and a similar extension of 2,600 lines to the exchange serving the Eastern District. A new automatic exchange with an initial capacity of 400 lines was installed in the new Secretariat Offices and small exchanges to serve the rural areas of Ting Kau and Castle Peak were also installed and brought into service. This additional

equipment, together with the utilization of existing facilities, resulted in the provision of 6,737 new telephone stations last year. There are now over 63,700 telephones. In addition to these new services and to the steady requirements of maintenance, a considerable amount of work has been occasioned by removals of telephone services from one address to another; 6,600 removals were carried out. There was also a considerable demand for private branch exchanges and 67 switchboards of various sizes were installed last year. In preparation for further extensions to the main Kowloon exchanges and to east and west exchanges on Hongkong Island, a number of cable extension schemes were carried out, resulting in the addition of nearly 50 miles of underground cable, representing over 7,000 circuit miles. Although the West Exchange Building is, as yet, incomplete, by making special arrangements it became possible to complete the first floor in August, 1956, and thus to commence the installation of a new 12,000 line exchange. Equipment for approximately 5,000 lines will be ready for service in July this year, the exchange as a whole will be completed in December, 1957. The demand for our service continues unabated in all parts of the Colony and it became necessary to place orders for further extensions of 2,000 lines for Cameron Road exchange, 2,400 lines for east exchange and also for the provision of a 600-line exchange to serve the Aberdeen area. All this equipment will be delivered in 1957.

Radio Telephone Services: Revenue from these services was \$20,002 better than the previous year. In co-operation with Cable & Wireless Limited, new services were opened to North Africa, Central America and Lebanon.

Accounts: The Profit & Loss Account shows a substantial increase in the net profit, amounting to \$2,043,299. This has been brought about by a combination of increased revenues and reductions in the charges for royalty, profits tax and depreciation. The final net profit is \$6,329,178 which, after adding \$224,757 brought forward from the previous year, leaves \$6,553,935 for payment of \$1.50 dividend per 'old' share and 75c per 'new'—\$3,675,000; payment of 25c cash bonus per 'old' and 12½c per 'new'—\$612,500; plant replacement reserve—\$1,250,000; carry forward—\$1,016,435.

HONGKONG TRAMWAYS CO. LTD.

The annual meeting was held on March 22, Chairman H. D. M. Barton, presiding, said inter alia: Compared with the year before, passengers carried increased by 12 m to 158 m, while mileage run increased by 800,000 to 7,250,000. These are record figures and attributable to the greater number of cars in service. In 1955, the daily average was 122 cars, whereas in 1956 a daily average of 134 was maintained. The 10 additional trams built last year brought the fleet up to a total of 146. It is not intended to build any more cars in 1957. Work carried out last year under the program of track renewing was concentrated on renewing the track along Des Voeux Road. This section was also re-aligned in such a way as to bring the two tracks closer together. Re-aligning and renewing of tracks along Des Voeux Road will continue in 1957 until Western Market is reached. Construction of employee quarters on King's Road is now well under way, and will be ready by July next.

Royalty at \$2,111,188 payable to Government is up by nearly \$150,000 and for the first time exceeds the two million mark. After making provision for corporation profits tax, the net profit for the year is \$5,804,514, an increase of \$396,590 compared with the previous year. Together with the amount of \$202,110 carried forward from last year, there is a balance for disposal of \$6,006,624. An interim dividend of 60 cents per share was paid in September last, absorbing \$1,755,000, leaving \$4,251,624 for following distributions: general reserve, \$733,794; a final dividend of \$1.10 per share, \$3,217,500; carried forward, \$300,330. Fixed assets increased by \$522,588; after deducting depre-

ciation and sales, now stand at \$19,880,202. The book value of investments now totals \$7,357,505 against \$4,117,284 a year ago. This was brought about by switching certain investments with the object of providing greater diversification and also by making additional purchases. As a result, a balance of \$2,541,206 was realised and transferred to general reserve which now stands at \$5,500,000.

STAR FERRY CO. LTD.

At the annual meeting held on March 13, Chairman H. D. M. Barton said: Last year you were informed that our building program had been postponed until Government made known its intention regarding the proposed cross-harbour tunnel project. We have since been advised that Government does not intend to proceed with the project and we have proceeded with plans for modernising the fleet. In 1956 there were no interruptions of the service due to typhoons or other causes. Traffic continued to increase and the total of 36,370,000 passengers carried in 142,756 crossings is 3.7 per cent greater than the number carried in 1955. The 'Celestial Star' and the 'Radiant Star' were taken into service early in 1956, while the 'Meridian Star' which was over thirty years old was sold. Orders have been placed for two new vessels which will be delivered at the end of the current year. Another launch will be built in 1958. The first sections of the two new piers are almost completed, and the Kowloon pier will be in operation from March 15 and the Hongkong pier about a month later. The old pier in Kowloon will be demolished and construction of the second section of the new pier will proceed with all possible speed. The Chinese staff quarters now under construction will be ready for occupation this year.

As a result of the increased passenger load, earnings were \$235,600 higher than in 1955, while due to lower fuel costs for the new diesel vessels expenses increased by only \$54,000 although the service was increased. We anticipate a substantial reduction in pier repairs account when we move to the new piers. There is a considerable decrease in revenue compared with 1955 when we sold part of our investments at a profit of \$507,312. Apart from this the 1956 account compared favourably with the previous year. Appropriations include: payment of \$5.50 final dividend per share, making a total of \$9 for the year; transfer to reconstruction reserve of \$400,000; provision for corporation profits tax of \$95,588, and carry forward of \$408,032. Outstanding commitments amounting to \$4,100,000 are heavy but this includes the cost of two new vessels and the staff quarters. By the end of 1958, when another new vessel will be built, the planned program of capital expenditure involving the replacement of six old vessels and the provision of staff quarters will be completed.

GREEN ISLAND CEMENT CO. LTD.

Chairman D. Benson stated at the annual meeting held on March 14: Last year there was a small reduction in production as a result of the reconstruction of No. 1 kiln in November. To cover this gap we were able to draw on stocks built up for that purpose, and the volume of sales exceeded that of the previous year. Just over half of these deliveries went for exports. Profit margins, on the other hand, were down because freight rates were up and cost of raw materials hiked. We also awarded wage increases, averaging approximately 15 per cent, to our staff in July. At the same time, competition from China and Japan remained severe in the markets in which we sell, although fortunately a good part of the pressure was absorbed by a rising total demand for cement. Profits for the year amounted to \$4,235,752, out of which Directors recommended the usual payment to shareholders of \$4 per share and a bonus of \$73,877 to staff. Adding the unappropriated profit of \$384,994.57 brought forward from 1955, there remains a

balance for appropriation of \$946,869. Directors have considered the desirability of establishing a Dividend Equalisation Reserve because profits are liable to fluctuate sharply from one year to another, often due to temporary factors such as the movement of freight rates or unpredictable and rapid changes in demand. We have now realisable reserves in the form of increased investments during the year by the purchase of local utilities and investment company shares, to a total of \$3,019,507, while the surplus of current assets over current liabilities is considerable. Directors have therefore recommended the transfer to a Dividend Equalisation Reserve of \$600,000.

THE VIBRO PILING CO. LTD.

At the annual meeting on March 6, 1957, the Chairman (Major S. M. Churn) said: I stated a year ago that if nothing untoward happened during the year, the prospects were that we would have a profitable year. This expectation has materialised and the net profit for the year, after making full provision for all charges, including Depreciation, Directors' Fees and Corporation Profits Tax, amounted to \$744,179.31. Conditions at the start of this year are not as brisk as they were during the period under review, but the number of jobs promised to us together with the general prospects are sufficiently encouraging to enable me to say that, barring the unforeseeable, the result of the operations of this year should be profitable.

\$1,054,413 are available for payment of \$1 dividend per share on 201,875 shares—\$201,875; a bonus of \$1.00 per share on 201,875 shares—\$201,875; transfer to contingency reserve account—\$30,000; write-off cost of storage yard—\$6,000; carry forward—\$614,663.

THE BANK OF CANTON LTD.

A net profit of \$2,487,780 for the year 1956 was reported at the annual meeting on March 4. This sum, with undistributed profit of \$673,520 brought forward from the previous year, amounted to \$3,161,300. It was decided to pay dividends as follows: Dividend on first preference (cumulative) shares for 1956 at eight percent per annum, \$160,000; dividend on second preference (cumulative) shares for 1956 at four per cent, \$187,140; dividend on ordinary shares at four percent, \$43,328; additional dividend on first preference shares at four percent, \$80,000; bonus dividend on first preference shares at three percent, \$60,000; bonus dividend on second preference shares at one percent, \$46,785; and bonus dividend on ordinary shares at one percent, \$10,832. The following allotments were also approved:—\$1,000,000 to be transferred to the general reserve; \$15,000 to reserve for depreciation of investments; \$22,044 to reserve for bad and doubtful debts; \$195,879 to the staff retirement and pension fund; to pay \$39,175 bonus to members of the subscription committee; \$40,000 fee to directors, and \$391,756 bonus to directors and staff. The various allotments and payments of dividends totalled \$2,291,944, leaving a balance of \$869,355 to be carried forward to the next year.

THE KWONG SANG HONG LTD.

At the meeting held on February 28, Chairman Leung Ying Kun reported that the amount available for appropriation including \$261,086 brought forward from the previous year was \$845,257. Appropriations included payments of: \$6 interim dividend—\$144,000; \$7 final dividend—\$168,000; bonus to directors and staff—\$116,834.

FINANCE & COMMERCE

INVESTMENTS IN NORTH AMERICA

By E. Kann

This report is meant to supply a brief outline regarding investing funds in the United States and Canada. Both of these countries are blessed with a super-abundance of natural resources, liberal legislation and outstanding know-how. There are no currency restrictions in force. Certain investments are suitable for residents only, as, for example real estate transactions, own factories or wholesale trade; vocations which demand the presence of the investor in the respective area. Other grades of investments have the advantage of liquidity, for stocks and bonds can be sold within a few hours after placing the order. There are other ways of placing funds lucratively, though my personal views tend to prefer holdings of corporation stocks. It probably will clarify matters if the various classes of investments are briefly discussed here.

1) Savings Accounts: At the present time banks have raised their interest rates on savings to 3%. Most of the numerous savings societies pay interest at the rate of 4%. Deposits up to \$10,000 in any one of the savings societies are government-insured. The standing of most of those savings and loan associations is excellent. And yet, I do not feel that such investments are wise. Banks (paying 3%) are much more liquid, while savings societies usually invest 80% and more in long-term mortgages. Furthermore, it must be borne in mind that savings are subject to inflationary tendencies. The value of any country's money is

liable to melt away. This means that equities are much more advisable.

2) Stock Exchange Transactions: Of these there are many in the United States and in Canada. Also let it be noted that numerous Canadian Corporations have their shares listed in United States Stock Exchanges. The principal Stock Exchanges in this country are: The New York Stock Exchange (known as the Big Board); the American Stock Exchange; the Over-the-Counter Exchange; the Curb Exchange, all situated in New York. Furthermore there is the Pacific Coast Exchange, formerly the separate Exchanges of San Francisco and Los Angeles, amalgamated quite recently. The Pacific Coast Exchange deals mostly in stocks also quoted in New York, but has the benefit of a difference of three hours in time. This means that, after business in New York has been terminated, one can operate in Los Angeles/San Francisco for three more hours, at least in such stocks which are regularly quoted there.

It might appear strange to observers that the shares of almost all American Banks, as well as the stock pertaining to Insurance Companies, are not dealt at the New York Stock Exchange, but are being quoted 'over-the-counter', with bid and asked quotations. The reason for such action is that the parties concerned wish to keep their shares away from speculation, aiming at stability, rather than erratic advances and declines.

3) Fees: On the New York Stock Exchange for round lots (hundreds of shares) are as follows:

Money Value	Commission
Under \$100	As mutually agreed
\$ 100-\$1,999	1% plus \$5
\$2,000- 4,999	½% plus \$15
\$5,000-and above	1/10% plus \$35

For transaction initiated through a Hongkong agent, brokerage probably will be double the figures quoted here, which is only justified owing to the work, cable expenditure and overhead of the agent.

4) Custody of shares: As a rule, the New York broker (a member of the New York Stock Exchange) will, unless otherwise stated, be prepared to hold the stock bought in safe-custody on behalf of the client, to whom he will render monthly statements, confirming dividends collected during the month, as well as a tabulation of stocks held by the buyer at the close of the month. If the transaction was initiated in Hongkong, the New York broker is ignorant of the buyer's name and will hold the shares in the name of his Hongkong representative. In such cases the latter will render monthly statements to the Hongkong client. Upon request, the shares bought in New York can also be lodged with a bank there. The latter will also render monthly statement, but will not act out of philanthropic motives, for it will charge a moderate fee according to the value of the portfolio. If and when the buyer desires that the shares are from the outset put into his name, this can easily be done. But for holders residing outside the United States this is more of an obstacle than an advantage, for in case of sale, the holder has to sign the transfer deed in order to make it negotiable. And for such action distances are too great and time is running out.

5) Taxation: Residents in the United States pay income tax on all dividends collected during the year, according to the bracket into which they fall. On profits realized, (if they have held the stock less than six months) the beneficiary has to pay tax in full according to his income; but, if he has held the shares longer than six months, he is asked to pay no more than 25% of his profit from the transaction. However, parties residing outside the United States are not required to pay any taxes from profits realized on shares they liquidate. All that is wanted from them by the collector of internal revenues here is a flat 30% income tax on dividends only. In Canada the income tax on dividends received is 15%.

6) Grouping: In the United States stocks traded are in four groups: Industrials, railroads, utilities and bonds. The first group is by far the most important one; railroad shares have, generally speaking, not behaved so well as industrials. Utilities comprise telephones, telegraphs, water, electricity and gas. The vast majority of the last-mentioned group is sound and suitable for conservative portfolios, but advances are slow and not spectacular. Bonds include government bonds, industrial debentures, railroad bonds and also foreign bonds when emitted in U.S. dollars.

7) Information Please: The foregoing remarks are generalities. There is much more to be said about investments in the Americas. Future reports would be more concrete in design, though I cannot proffer advice to buy or to sell stocks; and I shall not do so. What I can do is to deal with the progress of certain industries and cite results obtained by numerous corporations. I am in no way connected with brokerage houses and, while being a conservative investor, am positively not a speculator—the second oldest vocation, I am told.

HK EXCHANGE MARKETS

Mar.	U.S.\$		Notes High	Notes Low
	T.T. High	T.T. Low		
25	\$619¼	619¼	617½	617½
26	618¾	617¾	616½	615½
27	619	618	617	616½
28	618	617½	615¾	614½
29	619	618	616½	615½
30	620¼	619½	618	617

D.D. rates: High 618¼ 615½.

Highest and lowest rates in March: T.T. 624/615½; Notes 622½/612½.

Trading totals: T.T. US\$3,240,000; Notes cash \$460,000, forward \$2,180,000; D.D. \$410,000. The market was quiet but steady; In the T.T. sector, offers and demands were well met. In the Notes market, heavy stock and narrow difference between T.T. and Notes rates caused high change-over interest totalling HK\$4.30 per US\$1,000 in favour of sellers. Speculative positions averaged US\$2½ million per day. In the D.D. sector, market was active with increased volume of overseas Chinese remittances.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.775—1.76, Japan 0.01485—0.01465, Malaya 1.879—1.876, Vietnam 0.06369—0.0625, Laos 0.058, Cambodia 0.082—0.08, Thailand 0.2841. Sales: Pesos 350,000, Yen 146 million, Malayan \$310,000, Piastre 11 million,

Kip 6 million, Rial 5 million, and Baht 3 million. **Agreed Merchant T.T. rates:** Selling and buying per foreign currency unit in HK\$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.818—5.735, Canada 6.0836—5.9925, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.8868—1.8692. Selling for foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.3278, Belgium 0.11655, West Germany 1.384.

Chinese Exchange: People's Yuan remained at 6.839 per Pound Sterling, 0.427 per HK\$, 0.805 per Malayan \$, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US\$; cash notes at HK\$1.45 per Yuan. Taiwan Dollar remained at 15.65—15.55 per US\$ and 2.74—2.72 per HK\$; cash notes at HK\$161—159 per thousand, remittances 153—152. **Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.22—16.19, Scotland and Ireland 14.00, Australia 12.75, New Zealand 14.96—14.93, Egypt 12.00, East Africa 15.40—15.30, West Africa 13.50, South Africa 16.35—16.30, Jamaica 13.50, Fiji 10.00, India 1.189—1.187, Pakistan 0.91—0.89, Ceylon 1.00—0.99, Burma 0.51—0.49, Malaya 1.842—1.837, Canada 6.435—6.41, Cuba 5.00, Argentine 0.17, Brazil 0.07, Philippines 1.80—1.79, Switzerland 1.42, West Germany 1.405, Italy 0.0093, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.01495—0.0148,

Vietnam 0.0685—0.068, Laos 0.0595—0.058, Cambodia 0.084—0.082, North Borneo 1.60, Indonesia 0.175—0.168. Thailand 0.285—0.282, Macau 0.997—0.995, Japan 0.01515—0.015.

Mar.	Gold Market		Macau .99
	High .945	Low .945	
25	269¼	269¼	
26	269¾	268¾	
27	269¾	269	
28	268¾	268¾	Low 278½
29	268¾	268¾	
30	269¾	269¾	279½ High

The opening and closing prices were 269½ and 269½, and the highest and lowest 269½ and 268¾. Highest and lowest in March were 271½ and 267½. The market was quiet and fluctuations small. Interest for change over favoured sellers and aggregated HK\$1.60 per 10 taels of .945 fine. Trading totalled 45,600 taels for the week including 16,980 taels cash transactions (1,580 listed, 15,400 arranged). Imports from Macau totalled 12,000 taels. One shipment of 48,000 fine ounces reached Macau last week. Exports amounted to 8,500 taels (6,000 to Singapore, 1,500 to Rangoon, 1,000 to Korea). Differences paid for local and Macau .99 fine were HK\$13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US\$37.83—37.75 per fine ounce; 24,000 fine ounces contracted at 37.83 cif Macau. US double eagle old and new coins at \$283 and \$262 respectively per coin, English Sovereigns \$62 per coin, and Mexican gold coins \$289 per

coin. **Silver Market:** 500 taels of bar silver traded at \$5.93 per tael; 500 dollar coins at \$3.79 per coin. Twenty-cent coins quoted \$2.92 per five coins. **Money Market:** The market was quiet but demand from industrialists growing. Interest for Letters of Credit was 6% p.a.; overdrafts and short term loans, 8% to 6% p.a.; mortgages and long term loans, 10% to 8% p.a. Chinese native banks and money lenders charged slightly higher rates.

HK SHARE MARKET

Business was on a restricted scale; turnover amounted to \$2.2 million which is the lowest weekly record since last November. Most prices, however, were steady and drops fractional; there was no selling pressure. 160 shares of HK Banks changed hands and prices advanced steadily from 1600 to 1625; London registers up from £93½ to £96½. Union Ins. edged up to 945; sellers wanted 950 but buyers firm at 945. With the exception of Star Ferries, Utilities remained popular and accounted for about 50% of last week's transactions. Cements and Dairy Farms retained steady demand but closed slightly lower than previous week. Other shares were quiet.

Monday: market quiet, turnover \$458,000. **Tuesday:** no material change, \$555,000. **Wednesday:** dull, \$176,000. **Thursday:** extremely quiet, \$570,000. **Friday:** HK Banks firm, elsewhere little interest displayed, \$420,000. The Secretaries for Yangtze Finance announced that on March 28, the shares had a statistical value of \$7.84.

CLOSING RATES ON 29/3/57

H.K. Govt. Loans

3½% Loan (1934 & 1940), 88¼ nom.
3½% Loan (1948), 87½ b; 88 sa.

Share	Mar. 22	Last Week's Rate			Up & Down	Dividend	Annual Return (%)
		Highest	Lowest	Closing			
HK Bank	1600	1625	1610	1625	+325	\$80	4.92
Union Ins.	940	950 s	940	945	+45	\$34	3.60
Lombard	38 s	38	37.50 b	38	firm	\$2	5.28
Wheelock	6.75	6.75	6.70	6.70	-5c	75c	11.19
HK Wharf	102	102	101	102 s	steady	\$6	5.88
HK Dock	45	45 s	44 b	45 s	steady	\$2	4.44
Provident	13.20	13.20	13.10	13.20 s	steady	\$1	7.58
HK Land	36.50	36.50	36.25	36.25	-25c	\$3.50	9.66
Realty	1.375	1.40 s	1.35 b	1.375 s	steady	15c	10.91
Hotel	14.10	14.10	13.70 b	13.90	-20c	\$1	7.19
Trams	21.90	22	21.80	21.90 s	steady	\$1.85	8.45
Star Ferry	137	138 s	137 n	137 n	steady	\$9	6.57
Yau-mat	107	xd 103 s	xd 100 b	xd 102	steady	\$7.50	7.35
Light	22.80	22.80	22.60	22.60	-20c	\$1.10	4.87
Electric	30	30	29.70	29.80	-20c	\$2.70	9.06
Telephone	24.60	24.60	24.60	24.60	firm	\$1.50	6.10
Cement	33.50	33.25	33	33	-50c	\$4	12.12
Dairy Farm	16.40	16.30	15.90	16	-40c	\$1.63	10.19
Watson	12	12	11.80	12 s	steady	\$1	8.26
Yangtze	5.85 b	6	5.85 b	5.85 b	steady	70c	11.97
Allied Inv.	4.75 s	4.75 s	4.725 n	4.725 n	-2½c	25c	5.29
HK & FE Inv.	9.80 b	10 n	9.80 b	9.80 b	steady	75c	7.65
Amal. Rubber	1.45 s	1.475	1.425 b	1.45	firm	30c	20.69
Textile	4.70	4.80 s	4.65 b	4.675 b	-2½c	50c	10.69
Nanyang	8.15 b	8.25	8.20	8.20	+5c	80c	9.76

Banks

H.K. & S. Bank, 1615 b; 1620/1625 sa.
H.K. & S. Bank (Lon. Reg.), £96½ nom.
Bank of East Asia, 244 nom.

Insurances

Union Ins., 940 b; 945 sa.
Lombard Ins., 37½ b; 38 s; 38 sa.
China Underwriters, 8.70 nom.

Investment Companies

Allied Investors, 4.725 nom.
Yangtze Finance, 5.85 b; 6 s.
H.K. & F.E. Invest., 9.80 b.

Shipping

Douglases, 592½ nom.
Indo Chinas (Pref.), 14 nom.
Indo Chinas (Def.), 46 nom.
U. Waterboats, 20.90 b.
Asia Nav., 1.30 nom.
Wheelocks, 6.60 b; 6¾ s; 6.70 sa.

Docks, Wharves & Godowns

H.K. & K. Wharves, 102 s.
Sh. Hongkew Wharves, 1 nom.
H.K. Docks Ex. Div., 44 b; 45 s.
China Providents, 12.90 b; 13.20 s.
Shai Dockyards, 1.35 b.

Mining

Raub Mines, 3½ nom.
H.K. Mines, 4c nom.

Lands, Hotels & Bldgs.

H. & S. Hotels, Ex. Div., 13.80 b; 14.10 s; 13.90 sa.
H.K. Lands, 36 b; 36½ s.
A/Fr. Lands, 35c nom.
Shai Lands, 93c nom.
Humphreys, 16½ b; 16.90 s.
H.K. Realities, 1.35 b; 1.375 s.
Chinese Estates, 380 nom.

Public Utilities

H.K. Tramways, 21.90 s.
Peak Trams (F. Pd.), 77 nom.
Peak Trams (Partly Pd.), 39 nom.
Star Ferries, 137 nom.
Yau-mat Ferries, Ex. Div., 102 b; 103 s; 102 sa.
China Lights, 22½ b; 22.70 s; 22.60 sa.
H.K. Electric, 29.40 b; 29.80 s.
Macao Electric, 9.80 b; 10 s.
Sandakan Lights, 8½ nom.
Telephones, 24.60 b; 24.70 s; 24.70/60 sa.
Shanghai Gas, 1.15 nom.

Industrials

Cements, 32¾ b.
H.K. Ropes, 12.80 b.
Metal Industries, 1.65 nom.
Amoy Canning (H.K.), 32½ b.

Stores

Dairy Farms, 15.90 b; 16.10 s; 16 sa.
Watsons, 11.70 b; 12 s.
L. Crawfords, 28½ s.
Cald. Macg. (Ord.), 28.80 b.
Sinceres, 1.90 nom.
China Emporium, 8.90 b.
Sun Co. Ltd., 77c nom.
Kwong Sang Hong, 183 nom.
Wing On (H.K.), 65 b.

Miscellaneous

China Entertainments, 18.20 nom.
International Films, 30c nom.
H.K. Constructions, 5.80 nom.
Vibro Piling, 16.90 s.
Marsman Investments, 6/- nom.
Marsman (H.K.), 65c nom.

Cottons

Ewos, 85c nom.
Textile Corp., 4.675 b.
Nanyang Mill, 8.15 b; 8¼ s; 8.20 sa.

Rubber Companies

Amal. Rubber, 1.45 b; 1.475 s; 1.45 sa.
Ayer Tawah, 1.375 b.
Java-Consolidated Estates, 46½c nom.
Langkat, 1¼ nom.
Rubber Trust, 1.625 b; 1.675 s.
Shanghai Kelantan, 1 b.
Shanghai Sumatra, 2.60 nom.
Sungala, 93c b.

SINGAPORE SHARES

A rise of 5½ cents per lb. in the local prices of Rubber, during the week (March 16—22) brought about a revival of interest in Rubber shares. The firm tendency previously developed in the Industrial Section was maintained and a number of selected Tin shares registered gains. Small parcels of local Loans were placed at quotations. Among active industrial counters were Fraser & Neave Ords. taken at \$2.32½ to \$2.32½ c.d., W. Hammer at \$1.82½ ex all, Malayan Cement from \$1.58 to \$1.62 x.d. and Straits Traders from \$27 to \$27.25. Large business passed in United Engineer Ords. at \$10 c.d. and later at \$8.80 and \$8.75 ex all. Interest in Tin shares centred round Austral Amalgamated which improved from 21/3 to 21/4, and Austral Malay at 46/- to 46/6 x.d. Berjuntai active between 13/6 and 14/-. Kuala Kampar marketed at 38/9 and 39/-, wanted at 39/3. Lower Perak saw business at 18/9 to 18/10½ to 18/7½ and Petaling from \$2.70 to \$2.72½ to \$2.70. Rantau registered particularly heavy sales between \$1.95 and \$2.00 c.d. and at \$1.85 x.d. Sungei Besi were dealt in at 11/9 and 11/7½ x.d. and Sungei Way from \$1.55 to \$1.57½ to \$1.57. Amalgamated Malay from among Rubbers and had transactions from \$2.00 to \$2.10 ccr. cci. Ayer Panas advanced sharply to \$1.82½ on rumours that a part of the Estate had been sold. Batu Lintang taken in quantity at \$1.82½ and \$1.82. Connemara had dealings from \$1.22½ to \$1.30 c.d. Kempas had a large turnover from \$1.37 to \$1.45 c.d.; closed five cents higher. Kundong fluctuated from \$1.80 to \$1.70 to \$1.90, Parit Perak \$1.93 to \$2.15, Sungei Bagan \$1.52½ to \$1.60 and Tapha \$3.20 to \$3.70.

TRADE REPORTS

Trade with China: Enquiries from Canton increased; orders concluded covered selective items of metals, fine chemicals, air conditioning units, X-ray equipment and dyestuffs. Imports (chiefly foodstuffs) remained substantial; a trial shipment of pianos reached here towards weekend. Chinese rice and cotton piece goods, too, kept up a steady flow to local market. Some traders here are optimistic about further ease of embargo on China but the majority believe such relaxation can not increase HK exports to China to any considerable degree because Peking representatives in HK will be negotiating with local agents of UK, European and other manufacturers for direct shipments.

Trade with Japan: Shipments of scrap iron to Japan exceeded 2,000 tons; exports of beans and oilseeds slower and no order for metals. Imports of cement, cotton and rayon textiles, bean oil, cellophane paper, woolen piece goods, china ware, toys and sundries totalled 5,000 tons.

Trade with UK and Europe: Seven vessels brought here 20,000 tons of cargo from UK and Europe; principal items were metals, cotton and woollen textiles, dairy products and provisions, chemicals, machinery and equipment, paper and automobiles. Exports totalled 5,000 tons to UK and 1,500 tons to Europe. Demand from UK covered chiefly cotton textiles, gloves and plastic products. Norway ordered shirt, umbrella, rubber footwear and torch but quantities insignificant. West Germany showed keen interest in HK manufactured rubber footwear, gloves, hat, chinaware and embroideries in addition to purchases in feather, egg products, dried ginger, rosin, cassia lignea and bamboo cane. Demand from France for China produce and HK manufactures however remained weak.

Trade with US: Fresh supply of fruits, wheat flour, milk powder arrived from US together with large consignments of summer goods including swimming costume, dress materials, suit length, shoes, etc. Exports totalled 3,400 tons consisting chiefly of HK manufactured torch, plastic toys, rattan furniture, camphor wood chest, fire-crackers, gloves, shirt and other wearing apparel. With the exchange of trade missions between HK and US, local factories will be able to sell more products to US this year.

Trade with Indonesia: Exports of cotton textiles, enamelware, towel, hurricane lantern and other metalware to Djakarta and other Indonesian ports totalled 2,000 tons. There were however only a small number of orders from Djakarta for selective items of paper, China produce, HK manufactures and sundries on account of the lack of sufficient foreign exchange there. Imports of rattan, sea food, rice bran,

coconut and rubber from Indonesia totalled 1,000 tons. Djakarta announced that export duty on rubber will be increased from 0.5 rupiah to 0.9 rupiah per kilo next month.

Trade with Thailand: Orders from Bangkok covered cotton textiles, towel, paper, enamelware and other metal ware; market there had returned to normal after recent political disturbance. Local dealers however are worried about the gradual increase in direct trade between Thailand and China especially after recent inauguration of direct freight service between Bangkok and Chinese ports by several shipping companies.

Trade with Korea: There were more enquiries than orders from Seoul for selective items of paper, metals, pharmaceuticals, chemicals, rayon yarn and industrial equipment; many orders fell through because buying offers were too low and in the case of paper, stock of popular items short. Indications were an increasing percentage of US Aid Funds would be allocated by Seoul for imports of fertilizers, paper, etc. from Japan. In return, Japan would buy more graphite, iron ore and other Korean exports.

Trade with Taiwan: Taipei maintained a steady flow of exports such as garlic, ginger, sugar, live hogs, camphor products to the local market. Purchases from here however failed to improve and covered only selective items of chemicals, dyestuffs, pharmaceuticals and electric appliances.

Trade with Malaya: Exports to Malaya (including Singapore) remained heavy partly due to steady flow of HK products from Malayan ports to Indonesian territories outside Java island. In Singapore, shoemakers asked authorities there to restrict imports of foreign shoes particularly those from HK to protect domestic industry. Minister of Industry and Commerce replied that it was not easy for the Government to discriminate against any particular country because Singapore is a free port. Reports from Kuala Lumpur revealed that private talks will be held in Peking next month between 20 leading Malayan Chinese tin miners and Chinese authorities on export of Malayan tin to China.

Trade with the Philippines: In addition to barter trade, Manila allocated foreign exchange for imports of cotton textiles and metals from HK; quantities involved however were not substantial. Possibility of large purchase of cotton textiles from here is small. Mills in Manila were asking authorities there to impose a complete ban on imports of Japanese cotton piece goods claiming that they were producing enough cotton textiles to meet domestic demand. (Manila had recently lifted the ban on entry of Japanese textiles).

Trade with Cambodia was restricted to light imports of beans, maize, rice

bran, rice, scrap metal from Phnompenh in exchange for selective items of paper and foodstuffs from here. Dealers claim that they suffer an average loss of 10% on imports of staples from Cambodia; exports however are profitable but there is a tendency that Phnompenh is buying more from Japan and less from HK. Exports of North and South Vietnam showed no significant improvement. Laos bought only wheat flour from here.

Trade with India & Pakistan: Textile export-promotion representative from India discussed with HK manufacturers on the marketing of India yarn and cloth in HK. Local manufacturers suggested that India should buy more knitted goods from here. Imports of Pakistan cotton yarn slowed down because prices here were below Karachi indents. Exports to India and Pakistan consisted chiefly of cassia and rosin; quantities were discouragingly small.

Trade with Burma: Imports of beans, rice and other staples from Rangoon exceeded 1,200 tons. In return, HK shipped old newspaper and foodstuffs to Burma. Orders reached here last week covered cellophane paper and sundries. There were also enquiries from enamelware and vacuum flask.

Trade with Ceylon: There were enquiries from Ceylon for garlic, shirt, pyjamas, raincoat, ladies' underwear, children's garment and sundries; quantities required small.

Trade with Africa: Demand from South and East Africa registered slight improvement; shipments to Capetown and Mombasa consisted chiefly of knitwear, shirt, rayon textiles, window glass, foodstuffs, enamelware and other metalware. West Africa enquired for printed cloth but the deal fell through because buying offers were too low. Exports to North and Central Africa remained insignificant.

Trade with North Borneo: 1,000 tons of timber, firewood and rubber reached here from North Borneo; in return, dealers shipped there small consignments of sugar, structural steel and other building materials. Exports were still below imports (in value); illegal trade between North Borneo and the Philippines, particularly in HK manufactures prohibited entry by Manila, was less active recently.

Trade with Australia: Imports from Australia totalled 1,000 tons consisting chiefly of wheat flour, frozen meat, leather, dairy products, toilet articles, provisions. Orders from Sydney covered gloves, rattanware, vacuum flask, cotton textiles and selective items of China produce.

Trade with Argentina: Total value of exports to Argentina for January/February this year was much more than government record of \$97,059. One exporter claimed that his firm alone exported \$180,000 worth of goods to

Argentina during the period; shipments went there by R.I.L. vessels and principal items were foodstuffs, cotton textiles, enamelware and other metalware, torch and firecrackers.

Imports from Argentina, Iran and Japan: Government announced that beginning April 1, 1957 import licences will no longer be required for general merchandise imported from these countries. Exchange control on such imports remained unchanged. In the case of Japan, imports from islands under US administration are excluded from this amendment.

China Produce: Imports of maize, cassia, sesame, groundnut, kernel, groundnut oil, string bean and red bean from China, SE Asia (Burma, Cambodia, Thailand, Philippines) and Africa improved; demand from Japan and other sources was steady but not strong enough to stimulate prices. Woodoil firmed on orders from Japan, Thailand, Australia and local paint manufacturers; London bought direct from China at prices cheaper than HK quotations. String bean weak not only because supply from Thailand, Burma and Cambodia was abundant but also on account of Japan's direct purchase from Rangoon. Soya bean improved on demand from Singapore; black bean favoured by Singapore and Taiwan; green pea stimulated by short stock and Taiwan purchase. Garlic retained Singapore interest and attracted new enquiries from Colombo, Saigon and Djakarta; price firmed. Rosin also popular with Singapore and Djakarta; price failed to improve because supply from China adequate. Camphor products were enquired for by Australia and Burma but trading handicapped by short stock and high cost. West Germany remained interested in egg products but offers from China were few and quantity insufficient. On the whole, market was very steady.

Metals: Price drops brought about by heavy arrivals from UK and Europe checked, but prospects for recovery to previous high levels depend on possible orders from Japan. European market last week showed a weak tendency although cif HK offers remained high. Round bars were sold at very low prices by speculators to China traders; however most dealers refused to sell below cost. Orders from China also covered iron wire rod, steel wire rope, blackplate, tinplate and waste waste, and mild steel plate. Galvanized iron pipe retained demand from Philippines, Okinawa and local contractors. Iron wire rod also absorbed by Thailand; steel wire rope and blackplate by Korea; tinplate waste waste by Okinawa and Thailand; mild steel plate by Philippines and Thailand. Local demand for structural steel and factory items remained steady. Scrap iron made impressive gains and 1st choice quality closed \$510 per ton at weekend; demand from Japan encouraged speculative buying especially after Manila had ordered strict en-

forcement of ban on export of this item.

Paper: Exports slower; more enquiries than orders from Korea and other sources because quotations here high on advanced indents. Newsprint in reams, woodfree, cellophane, glassine, aluminum foil were not only purchased by Korea but also enjoyed keen demand from Cambodia, North Vietnam, Thailand, Indonesia, Burma and local industries. Supply came chiefly from Europe; imports from China and Japan insignificant.

Industrial Chemicals: Korea, Taiwan, China and local factories provided selective demand; trading volume small. Enquiries from China covered potassium ferrocyanide, bronze powder, shellac, red phosphorus, gum arabic and copal; most negotiations did not materialize. Among transactions concluded were sodium nitrate, oxalic acid and linseed oil bought by Korea; petrolatum, formalin, lithopone and iron oxide by Taiwan.

Pharmaceuticals: Trading slow; market registered only orders from Korea for small quantities of glucose, aspirin, phanacetin, and sulfaguanidine; China for gum tragacanth powder, phenacetin, aspirin; Singapore for sulfaguanidine; Thailand for aspirin; South Vietnam for cod liver oil capsule, sentonin crystal, amidopyrin and aspirin. Prices steady. Local demand for fine chemicals and vitamin preparations strong.

Cotton Yarn & Piece Goods: HK yarn and cloth registered almost no spot transactions; prices firm because mills continued to receive orders and enquiries from UK, Thailand, Indonesia, Burma, Australia and Philippines. Pakistan yarn recovered from recent declines on marked-up indents and orders from Thailand and local mills; imports also curtailed. Japanese yarn was sluggish in demand but firm in price; cost advanced and imports not heavy. Chinese grey and drill eased in spite of steady local demand; imports were heavy recently. Japanese grey declined due to lack of demand but later recovered when speculators began absorbing. Japanese white shirting steady on demand from shirt works. Taiwan grey, too, steady on local demand.

Rice: Heavy imports from Thailand and keen competition from Chinese, Burmese, Vietnam and Cambodian rice kept prices at low levels.

Wheat Flour: Burma, Cambodia and Laos interested in US and Canadian brands when prices here depressed by recent heavy imports. HK products registered less turnover in local sales after prices marked up. Australian brands weak.

Sugar: Strong demand from Thailand and Cambodia, speculative purchases, slower imports from Taiwan and Philippines, and dwindled stock kept prices

for granulated fine and brown at high levels. HK products firmed on new orders from Singapore and North Borneo; local demand steady.

Cement: Cambodia, South Vietnam, North Borneo and Singapore provided steady demand for cement of all brands. Japanese products and Green Island cement also enjoyed very strong local demand while Chinese cement firmed on high cost and short supply.

Fresh Hen Eggs: Increased supply from China depressed prices to \$1 for 7/9 eggs, retail.

Stationery: Market registered renewed demand from China for drawing instruments, drawing paper, slide rule; from Cambodia and South Vietnam for pencil, carbon paper, mimeograph paper, exercise book, letter paper and envelope; Thailand for pins and clips, ball-point pen, ink, fountain pen; Taiwan for drawing pencil, water colour and pennib. Prices improved because stock here, particularly US drawing pencil and instruments, was inadequate to meet the unexpected demand.

HONGKONG COMPANY
INCORPORATIONS

Following new limited liability companies were incorporated during the fortnight ended March 9, 1957: (all capital is nominal and in HK\$):

The Green Pagoda Press—Printers & publishers; Capital—25,000; 19 Java Road, Hongkong; Subscribers: A. M. Mishevsky, 5 Somerset Road, Kowloon Tong, Printer; V. Aguirre, 41 Kin Wah Street, Hongkong, Printer. **United States Consultants**—General engineering & consulting services; Capital—25,000; 1 Des Voeux Road Central, Hongkong; Subscribers: Raymond Edward Moore, Solicitor; Robert Henry Hindmarsh, same address, Solicitor. **Grand Engineering Wood Works**—Capital: 500,000; 303A Bank of East Asia Building, Hongkong; Subscribers: Daniel Wang, 85 King's Road, Hongkong, Merchant; Hsia Kung-mo, 13 Minden Avenue, Kowloon, Merchant; Koo Tze-zen, 306 Temple Road, Kowloon, Merchant. **Shui Cheong Hong**—Importers and exporters; Capital 300,000; 6 Des Voeux Road Central, Hongkong; Subscribers: Chung Man Kit, 71 Main Street, Shaukiwan, Hongkong, Merchant; Tsang Hon, 117 Main Street, Shaukiwan, Hongkong, Merchant. **Acme Company**—Importers & exporters; Capital: 200,000; Subscribers: Chiu Tsung Hao, 54 Hollywood Road, Hongkong, Merchant; Lee Man Kit, 75A Sing Wo Road, Hongkong, Solicitors' Interpreter. **Victoria Holdings**—General financial agency; Capital: 500,000; 601/606 Marina House, Hongkong; Subscribers: A.M.L. Soares, 389 Queen's Road East, Hongkong, Solicitor; David Szeto, 33A Conduit Road, Hongkong, Solicitor. **Park Holdings**—Financiers; Capital: 500,000; 601 Marina House, Hongkong; Subscribers: W. A. Welch, 4 Shek O, Hongkong, Chartered Accountant; D. Brittan Evans, 17 Shek O, Hongkong, Solicitor. **Chiap Hua Flashlights**—Capital: 2 million; 85 Kwei Chow Street, Kowloon; Subscribers: Chik Fung Investments, 7 Gramplan Road, Kowloon; Hongkong Chiap Hua Manufactory Co., Tai Ping Building, Hongkong. **Indo-Asiatic Corporation**—Importers & exporters; Capital: 450,000; Subscribers: Komallal Narula, 44B MacDonnell Road, Hongkong, Merchant; Shersingh Chopra, 20 Hollywood

Road, Hongkong, Merchant. **Sik Ka Investment Company**—To invest in land; Capital: 1 million; 32 Gilman Bazaar, Hongkong; Subscribers: Wong Kai Yue, Merchant; Wong Shiu Chuen, same address, Merchant. **Sackin**—To invest in land; Capital: 500,000; 1B Bonham Road, Hongkong; Subscribers: Sackin Chan, Merchant; Wu Yuen Nown, same address, Married Woman. **Good Hope Shipping Company**—Capital: 1 million; 1106-1107 Man Yee Building, Hongkong; Subscribers: Wong Zung Tung, 21 Tin Hau Temple Road, Hongkong, Merchant; Robert Sun, 27 Village Road, Happy Valley, Hongkong, Merchant.

HONGKONG'S TRADE IN
GOLD AND SILVER
IN 1956

	IMPORTS	
	ozs	HK\$
Gold, in bars ..	2,208,495	484,698,490
United Kingdom	1,641,603	359,606,990
Australia	562,178	124,024,100
Switzerland ..	4,714	1,067,400
Unworked gold (leaf and powder)	105	20,728
United Kingdom	67	13,198
U.S.A.	38	7,530
Silver (bars or ingots)	198,475	855,891
Australia	65,666	355,323
Malaya	59,056	190,780
South American Countries, other	3,683	17,500
Japan	21,320	100,700
Macao	48,750	191,588
Gold coins	17,834	4,614,195
United Kingdom	960	235,400
Switzerland ..	16,874	4,378,795
Silver coins	57,776	240,347
Malaya	176	847
Formosa	57,600	239,500

EXPORTS

	ozs	HK\$
Gold, in bars	2,285,666	501,493,435
Macao	2,285,666	501,493,435
Silver (bars or ingots)	1,322,407	7,054,331
Thailand	1,322,407	7,054,331
Gold coins	19,505	5,020,590
Macao	19,505	5,020,590
Silver coins	7,100	24,000
United Kingdom	7,100	24,000

SINO-SWISS TRADE

Although West Germany's trade with China is still the largest in Western Europe, Switzerland's is more significant by reason of its composition. Sino-Swiss trade not only increased by 36% in 1956 but began to take on the more natural character hitherto found only in China's trade with countries of the Eastern bloc. While the main Swiss imports from China were silk, oilseeds and casings, exports were concentrated on products of the precision engineering and capital goods industries.

Chemicals (mainly aniline dyes), though by no means a negligible quantity, accounted for only 4% of the total compared with 70% in the case of West Germany (January-November). The largest item was wrist watches (£8.5 million), but the following table indicates the increased importance of engineering goods of the types still embargoed for export to China by the C.O.C.O.M. countries:—

Leading Swiss Engineering Exports to China in £'000.

	1954	1955	1956
Steam turbines	—	—	447.6
Electric dynamos	53.4	50.6	179.8
Hydraulic Motors	—	53.3	47.9
Steam Engines	17.7	29.8	206.1
Machine tools	17.9	27.5	162.7
Various other machines	243.2	462.0	123.0
Precision tools	95.4	59.1	126.6
Scientific instruments ...	49.2	289.7	366.8